Thursday, June 6, 2002

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California
(916) 446-0100

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the January 10, 2002 and May 16, 2002 Board of Directors meetings.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to final loan commitments for the following projects: (Linn Warren)

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5. Discussion, recommendation and possible action relative to the adoption of a resolution amending Resolutions 02-01 and 02-02 (authorizing the issuance of bonds) and approving the form of a new indenture to be used for a variety of purposes, including the issuance of CHFA general obligation bonds for the financing of downpayment assistance loans and for implementing a proposed bond financing partnership with the Southern California Home Finance Authority. (Ken Carlson)

**Resolution 02-17**                                      .... .362
6. Marketing Plan Update. (Dawn Hulbert)

7. Discussion of other Board matters and reports.

8. Public testimony: Discussion only of other matters to be brought to the Board's attention.

**NOTES**

HOTEL PARKING: Parking is available as follows: 
(1) limited valet parking is available at the hotel; and (2) city parking lot is next door at rates of $1.50 per hour for the first two hours, $1.00 per additional hour, with a maximum of $13.00.

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be September 12, 2002, at the Hilton Burbank Airport & Convention Center, Burbank, California.
STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS
PUBLIC MEETING

Hilton Burbank Airport
& Convention Center
2500 Hollywood Way
Burbank, California

Thursday, May 16, 2002
9:30 a.m. to 12:37 p.m.

Reported and Transcribed by: Ramona Cota
APPEARANCES

Directors Present:
CLARK WALLACE, Chairman
EDWARD BAYUK
EDWARD M. CZUKER
CARRIE A. HAWKINS
ROBERT N. KLEIN II
JUDY NEVIS
LUPITA OCHOA
JACK SHINE
THERESA A. PARKER
JEANNE PETERSON
KATHY SANDOVAL

Staff Present:
THOMAS C. HUGHES, General Counsel
JOJO OJIMA
APPEARANCES (CONTINUED)

For the Staff of the Agency:
NANCY ABREU
KENNETH CARLSON
DAWN HULBERT
RICHARD LaVERGNE
DOM MAIO
DIANE RICHARDSON
JACKIE RILEY
JERRY SMART
LINN WARREN

Counsel to the Agency:
TODD MITCHELL, Orrick, Herrington & Sutcliffe

Members of the Public:
NONE
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PROCEEDINGS
THURSDAY, MAY 16, 2002      BURBANK, CALIFORNIA      9:39 A.M.

CHAIRMAN WALLACE: I would like to call the meeting
of the Board of Directors of the California Housing Finance
Agency to order, if such can be done. That's an oxymoron.
Secretary, call the roll.

ROLL CALL

MS. OJIMA: Thank you. Ms. Peterson for
Mr. Angelides?

MS. PETERSON: Here.

MS. OJIMA: Mr. Bayuk?
MR. BAYUK: Here.

MS. OJIMA: Ms. Sandoval for Ms. Bornstein? I'm
sorry, Ms. Nevis for Ms. Bornstein?

MS. NEVIS: Here.

MS. OJIMA: Ms. Sandoval for Ms. Contreras-Sweet?
MS. SANDOVAL: Here.

MS. OJIMA: Mr. Czuker? Mr. Czuker?
MR. CZUKER: Here.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Not all here, apparently, Ed?

MS. OJIMA: Ms. Hawkins?

MR. CZUKER: We are here in spirit.

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?
(No response).

MS. OJIMA: Mr. Klein?
MR. KLEIN: Present.

MS. OJIMA: Mr. Shine?
MR. SHINE: Here.

MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?
(No response).

MS. OJIMA: Ms. Ochoa for Mr. Finney?

MS. OCHOA: Here.

MS. OJIMA: Ms. Parker?
MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: Thank you. We do have a quorum, unlike the last meeting. That was only a test, though.

APPROVAL OF THE MINUTES OF THE MARCH 20, 2002 MEETING

I hope you have all read the minutes. Item 2 is approval of the minutes of the March 20 meeting. Any changes or corrections? I had one on page 710, just to make it a little more clear, on the third line. It starts on the second line: We have looked at some alternatives that may work in another context but they will not work for us. Add the word they. I can say that without fear of contradiction because that is what I meant but did not say. Anything else?
MS. PARKER: Yes.

CHAIRMAN WALLACE: Terri.

MS. PARKER: Mr. Chairman, just by way of information. We did not, at the last Board Meeting that we had, adopt the minutes.

CHAIRMAN WALLACE: That's correct.

MS. PARKER: Just so you all will know, the minutes from the January Board Meeting will be on the June Board agenda so at that point in time we will ask the Board to adopt minutes from two prior meetings.

CHAIRMAN WALLACE: We can't do today because --

MS. PARKER: We just want to keep it straight here.

CHAIRMAN WALLACE: -- it's not agendized?

MS. PARKER: Correct.

CHAIRMAN WALLACE: I remember. We couldn't pass it at the time because we were asking about two people who had never been there, one of whom had never been to a CHFA Board Meeting, was sitting in officially, to pass the minutes for a prior meeting he had not read and did not know anything about. Other than that we were smooth as silk. Let's be sure and agendize the January meeting minutes --

MS. OJIMA: Yes.

CHAIRMAN WALLACE: -- along with today's meeting minutes at the next Board Meeting June 6. Yes.

MR. KLEIN: Mr. Chairman, perhaps this is going to
end up under Board matters in Reports but given that in
convening the meeting this morning we find that Mr. Kenneth
Hobbs needs to resign. I would hope that we could consider
at a later point in the meeting, in addition to doing a
resolution, perhaps something like one of these engraved
little acrylic pieces that recognizes that even when he was
struck down by a very terrible disease that he continued his
commitment to the Board and came, with tremendous effort, to
Board Meetings. He is a person who has always been
extraordinarily dedicated to housing, as well as local
government, and perhaps we could do something that recognizes
this extraordinary effort he made during this period of
tremendous stress.

MR. CZUKER: And years of dedication over and above
his ailing period.

CHAIRMAN WALLACE: Well put. I was going to make
that announcement and solicit input on what to do--Terri and
I have talked about it--under Item 3.

MR. KLEIN: Okay.

MR. CZUKER: Absolutely.

CHAIRMAN WALLACE: Can I get the --

MS. RILEY (FROM THE AUDIENCE): We can't hear very
well back here.

MR. MAIO (FROM THE AUDIENCE): I'll go see about
getting the sound adjusted.
CHAIRMAN WALLACE: We are talking among ourselves and we really did not want you to hear it.

MS. RILEY: That's what worries me.

CHAIRMAN WALLACE: That's a good cause for concern. We need approval of these minutes and then we'll move on to that and a couple of other subjects under Item 3. Is there a motion to approve as amended?

MR. SHINE: Moved.

CHAIRMAN WALLACE: Mr. Shine. Is there a second?

MS. NEVIS: Second.

CHAIRMAN WALLACE: Judy. Any discussion on the motion? Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: The minutes have been approved.
CHAIRMAN WALLACE: The minutes have been approved.

DIRECTOR COMMENTS
Okay, under Item 3, since you brought it up, Ken Hobbs has tendered his resignation, as you, I believe, just received. We have tried to do everything to keep him on but, as you could tell at the last few meetings, he heroically showed up and it cannot be easy. He has been with us, as Mr. Klein said, for a long time. In fact, other than Carrie he may be the longest-serving Board Member.

He is a great guy but he is, I think -- We tried to find ways where he could declare his home as a public place the days of the Board Meetings and other things. We tried television and so on. But I think he and his wife have finally decided -- And he confided to me at the last meeting that his days on board service were numbered, so this is not a total surprise, regardless of how we tried to accommodate his continued service. I think he has been on probably ten years or so.

So, Terri, like you, Bob, were saying, said we
should do something special for him. Our next meeting, June 6, is in Sacramento and he lives in Hercules. I suspect he won't be able to make it but I certainly think we ought to invite him; and number two, do something more than the ordinary, as you suggested.

MS. HAWKINS: Perhaps, Mr. Chairman, we could have his wife accept something on his behalf or something.

CHAIRMAN WALLACE: Let's invite both of them.

MS. HAWKINS: Both of them, right.

CHAIRMAN WALLACE: And if Debra can come and Ken can't, why, that would be -- We probably should allude to that. And I think we should give our Chief Executive Officer Terri the right to go out and find something special. We did talk about something special. Maybe we all sign a resolution but do a little something beyond that. Is that the pleasure of the Board? Okay?

(The Board responded with yeses in near-unison.)

CHAIRMAN WALLACE: Terri, do you accept that high charge?

MS. PARKER: The staff would be delighted, Mr. Chairman.

CHAIRMAN WALLACE: Okay, so consider it done.

Carrie.

MS. HAWKINS: Yes. And I would just like to add that over these many years of serving with Ken I have never
served with anyone that was finer and has added more value to a Board than Ken Hobbs. Just his expertise and his personal character have been just exemplary as far as serving housing in California.

CHAIRMAN WALLACE: Well, write that down and say it again on the 6th, hoping he is there, that was very good.

MS. PARKER: Carrie, I wrote it down.

CHAIRMAN WALLACE: We are all kind of hoping he and Debra can be there. We can spend a few moments in honoring him at the June 6 meeting. Okay?

Now it is my pleasure to introduce Edward. Do you go by Edward or Ed?

MR. BAYUK: Either one. Either one is fine.

CHAIRMAN WALLACE: Okay. Edward Bayuk, who is our latest --

MS. PARKER: How do you pronounce your last name correctly?

MR. BAYUK: It's Bayuk (long A).

CHAIRMAN WALLACE: Bayuk, just like it reads.

Edward, it is nice to have you here. Edward has been recently appointed by the Senate Pro Tem John Burton and serves at the pleasure of Senator Burton, who very much accommodated us just before you were appointed. In fact, I think your appointment came on the heels of us not being, in our Sacramento March meeting, being able to have a quorum.
So we called Senator Burton's office to send somebody, and he couldn't find you, so he sent one of his staff members. And we had a quorum and conducted business. That was an unusual happening. Ed, we are really pleased to have you. You will help round out our quorum. I'm sure with your small business background and political savoir faire you are going to be a very contributing member.

MR. BAYUK: Thank you.

CHAIRMAN WALLACE: Delighted to have you here. You are welcome to say anything you would like at this time as long as it does not take more than three hours because we want to be out by noon.

MR. BAYUK: I'm very excited and thank you very much for the introduction.

CHAIRMAN WALLACE: Good to have you here. Now on a less happy note, you all know that our long-time Executive Director Karney Hodge passed away since the last meeting. I was in Sacramento in another agency when Karney was heading up CHFA and this agency really grew under Karney's tutelage. I just want to acknowledge that and I will ask that when we close the meeting we do so in his name and his honor. So don't let me forget to do that when we get to the adjournment time. A great guy and a great contributor to affordable housing in California and a good friend.

So, Terri, that's essentially the items that I had
under number three but I'll bet you have got a couple.

MS. PARKER: Mr. Chairman, at the risk of changing my character, because I usually have many things to say, I am actually going to defer. You have touched on our new Board Member. We have two vacancies on the Board now, two gubernatorial appointments that are tenant rep positions so we will be waiting for the Governor's Office to see if they are going to make some additional appointments.

And, just essentially tell you in the interim the Legislature did pass the housing bond bill, the Governor signed it, so it is now in the hands of the campaigners. We will know with the November election what that will portend and we will certainly be discussing that today when the staff presents the Business Plan.

The Governor also in the interim held a homeless summit that was a tremendous success in Sacramento. It was very well received. There was a tremendous amount of people from the homeless community, from a national perspective, that came and testified. I think it provided a strong sense of energy and hopefulness about being able to attack hopelessness and I think the Governor is strongly committed, even in a very, very bad fiscal environment. Many of you know that the Governor's May revision came out. The budget grew from the problems from when the budget came out in January to almost a $24 billion problem. Which, I can tell
you from having done that in the past, is a very difficult hole to fill.

But I think what is really good about news for the housers is that there's a lot of programs in the budget that are kept. Programs in Health and Human Services. And for those stakeholder and constituent groups, they don't have a housing bond to look to as a possible funding source for programs the next couple of years. So the housing community, in that sense, is really very well positioned. The timing, for us -- As housers timing is everything but we are very well positioned to the extent that we can get the bond passed. So I will leave it at that, Mr. Chairman.

CHAIRMAN WALLACE: Okay. The bulk of the program today is, as always, to have an intensive review by the Board, as intensive as we need. Because we have been there following it for two sessions now, January and March. I have high hopes that between that and the review of the operating budget that we can get out by the crack of noon. I have already advised staff not to try and fill the void. Tick it off as quick as you can because we have seen the foundation of this at the earlier meetings.

We won't adopt it today, we will adopt it -- Yes, we will adopt it today. It's May already, which is, annually, when we do adopt our Five Year Business Plan. As an appendage, of course, no projects today. I understand we
have only got three lined up for the June 6 meeting and a ton of them for the September meeting. So let's see if we can get through this as expeditiously as possible. In most cases it does not cover new ground. You have seen the reports here giving us the preliminary reviews and essentially it is what we discussed in March. So hopefully we can get through this expeditiously and on to other things. So with that, Terri, do you want to introduce it?

MS. PARKER: Mr. Klein has a --

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Before we launch into that, just as a very quick comment: I would hope at the June meeting we could see what we are doing across the state to really communicate to the electors that the Housing Finance Agency is a highly effective agency, state entity, in place to deliver services and housing, if the housing bond is passed by the voters. There is frequently the question in the voters' mind in difficult times, and this is going to be a big bond issue for this particular economic setting we are in.

The question is, is the money going to be effectively used, is it going to be effectively used immediately? Are the agencies in place to implement these programs? We have a great story to tell. Hopefully in the major media markets in the state we could have a fairly extensive exposure program to get across the message, we are
in place, we have tremendous ratings, we have got a lot of national awards and we are there to implement this program and make it effective, to deliver what the voters are passing. So I would hope that we could talk about that in June.

MS. PARKER: It's always great when you have Board Members that introduce subjects for you. Mr. Klein, I think as we have mentioned, and we will talk about it in greater length today when we go through our operating budget, marketing is one of the major areas of infrastructure development that we, from a staff perspective, feel the Agency has been lacking and needing. We are involved in -- We have a contract relationship with Porter Novelli. Dawn has been working on this, it's her top project.

Our intent was to come to the next Board Meeting and essentially have Dawn give you a presentation of where we are. These last couple of weeks we have been doing some focus groups. We are trying to, essentially, figure out what we need to do to launch, kind of, a branding campaign. One of the things that we hope will be timely about this is that the people who are working on the housing bond, developing the housing bond campaign, are looking at firms that they are going to hire to be working on that and the firm that we have engaged may be one of the firms that will be used in the bond campaign. The advantage of that is, since they already know
about CHFA, and we are part of it, that it will help the
learning curve. We figure that the work that they do on the
bond will, essentially, be value-added between the bond work
and campaign work for CHFA.

Dawn, I am looking at you. We were kind of hoping
that we could do some kind of a presentation or update. Will
we be far enough along or we can at least do an update or a
status?

MS. HULBERT (FROM THE AUDIENCE): We can do an
update. We won't have a plan put together yet. We will just
be getting, probably, back the results of the stakeholder
research. Two weeks ago we just finished up doing consumer
research with potential first time home buyers and first time
home buyers who have purchased their homes within the last
year. We are sending out letters this week. We want to do
one-on-one interviews with many of our stakeholders, with
lenders, developers, builders, bankers, realtors, etcetera,
nonprofits, all the people that we work with.

Once we get all of that information in place we are
going to take a look at it, put together a brand new
campaign, put together a strategic marketing campaign to be
presented. So prior to the next meeting we will probably
just be getting in the stakeholder research and starting to
formulate our plan. But we could have a rough status.

MS. PARKER: I think what we could do is use --
Since we only have three projects is use that time to, essentially, give you a feel of one of the things that we are doing. Again, we are going to talk today about the resources that we are putting into marketing, how we plan to grow with marketing. And we can use that time to have Dawn, you can get some face time with Dawn about what she is doing. I hope you will all note that what we sent to you in your Board binders is the recent press material. I don't think you have seen that kind of press material in the past and I think it gives you an idea of the kind of work that Dawn has just started doing.

CHAIRMAN WALLACE: What is the target date for the plan to be in place? Adopted.

MS. HULBERT: We are looking at doing a roll-out in probably early August of the whole branding campaign.

CHAIRMAN WALLACE: So arguably we might be able to tie it in somewhat with the way Bob is suggesting, with the bond.

MS. HULBERT: Absolutely. It is our hope, in discussions with Porter Novelli, that we would like to get it out early enough so that it won't get buried with all the election and political news. But at the same time that we can, also, capitalize upon the bond measure.

CHAIRMAN WALLACE: It sounds like you have been talking to them and they asked you to put this issue on the
MR. KLEIN: As a Board Member it is great to see the staff out ahead of the Board.

CHAIRMAN WALLACE: Oh.

MR. KLEIN: It is very, very encouraging and assuring.

CHAIRMAN WALLACE: Has that ever happened before? (Laughter). Okay, thank you, Bob.

MR. KLEIN: Right.

CHAIRMAN WALLACE: Timely.

MS. HAWKINS: It's good governance model, right?

MR. KLEIN: Right.

CHAIRMAN WALLACE: Yes. Are we ready to roll?

Terri.

RESOLUTION 02-12

MS. PARKER: I'll just do a brief introduction. Again, I'll try to be following my earlier vow to be brief.

As Mr. Wallace said, the Chairman has said, the staff is bringing to you what is our tenth annual Five Year Business Plan. We are very proud about that because after ten years it is truly part of our culture. It has been ingrained in our culture and how we do business.

Oftentimes when I talk to my colleagues across the country they talk about doing strategic plans and they are going to go in and do their strategic plan for three years or
five years. I often remark to them, we do ours, really, every year when we do our Business Plan. And I think the benefit of that is that we truly do step back and look at it, not only for the short term but the longer term of how this agency can, essentially, fill the market. Particularly it's role in the affordable housing area.

The Business Plan, as we spoke to you in March, is really predicated on giving us some flexibility depending on what happens with the housing bond. It is a unique situation. The money is so great in the bond, and the opportunities so unusual, that we felt it made sense to develop a plan, be prepared to, essentially, hit the ground running if that is enacted. And the benefit about the bond is that for all intents and purposes it is really funding programs that previously had existed. So in HCD, which has a great deal of the $2.1 billion, they are going to fund projects that HCD has been running before. We are not funding new programs that we have to start from scratch. So we all think that's a real benefit.

Essentially, our production plans over the life of the Business Plan are up a little over from the five year period from where they were last year but there is an additional $700 million that could happen if the bond passes. So we will be talking to you about that as time goes on. But we also want to let the Board know that if for any reason
the bond does not pass we will be going back to the drawing board, and probably in our January meeting, talking about what other ways that CHFA can contribute to affordable housing, particularly in an environment where there is not going to be many general fund fiscal resources available.

So with that, I think that the production side is pretty straightforward. We are going to go through each part of it. We want to spend some time letting you know what we are doing on the operating side. Because, as I said to you in my letter to you, we feel that to some extent this is an interim opportunity for us to, essentially, build the infrastructure of the organization. We have moved production along the last couple of years, now we need to get the infrastructure to sustain it.

So with that I am going to turn it over to Jerry to start with the home ownership discussion.

MR. SMART: Good morning, Mr. Chairman and Members of the Board. I would like to begin our presentation with some highlights of where we have been for the last ten years since we introduced the Business Plan process. In fiscal year 92/93 we started out with business volume, home ownership volume of about \$126 million. You can see that we steadily have grown over the last ten years and it is projected that this year we will achieve a level of about \$1,050,000,000 by the end of June and going forward.
In this last ten year period we have accomplished or we have produced about 70 percent of the overall home ownership volume that the Agency has done in the last 25 years. That's 7 out of 10-billion dollars that the Agency has lent in home ownership. So I think that this level of production is indicative of where we are going, our strength in our home ownership program.

Next I would like to illustrate where our loans are going, who is receiving the loans we make in home ownership. You will see, primarily, that most of our loans are going to minority home buyers, particularly the Hispanic. We have averaged in 1997 and the last five years about 59 percent ethnicity lending, and that has increased to 73 percent this year. So we are quite proud of our ability to reach the minority level lower income home buyers.

This illustrates the distribution, by income, where we are reaching. You can see, by far, the majority of our lending has been to the 50 to 80 percent of median income group. We have been averaging, in the last five years, over 40 percent. That is, I think, indicative of the policies that we have employed. Our rate differentials and the introduction of down payment assistance have all benefited the lower income home buyers. But I might point out, though, that given the rising prices in the market, our ability to continue to achieve those levels will get much more difficult
Pricing, of course, is pushing out the lower income home buyer. Our focus this year will be to continue to provide below-market-rate financing for first time low and moderate income home buyers; continue in our efforts to provide housing assistance to teachers and principals in low performing schools— that's with our Extra Credit Teacher Program offering down payment assistance of upwards of $7,500 for credentialed teachers and principals in the lower three levels of low performing schools; continue our efforts in the high-cost areas providing down payment assistance with our HICAP program as well as providing a rate differential that provides an attractive incentive for lending in those high-cost areas. Of course, if the Housing Act of 2002 is passed our focus will be on developing and implementing down payment assistance programs of nearly $290 million that will come to the Agency. And, of course, equitable distribution of our funds on a statewide basis, a population basis, and daily availability of funding.

Our strategies in home ownership: To continue with below-market-rate financing targeting our financing to 50 to 125 percent of market. Currently today we use Fannie Mae as our benchmark, the 60 day rate, and we are at those differentials now. Continue our rate differential to encourage lending to high-cost areas versus statewide. We
have about a 25 percent differential between the two.

MR. KLEIN: What is our actual differential now? What is our current rate and what is the Fannie Mae rate?

MR. SMART: Let's see, I have those. I think it's five-and-a-half for low income, five-and-three-quarters for moderate income. Statewide it's five-and-three-quarters for high-cost.

MR. KLEIN: Okay.

MS. PARKER: Fannie's rate?

MR. SMART: Fannie is, I think, like 6.96. That was of yesterday.

MR. KLEIN: How does this compare to what CalPERS or CalSTRS is doing?

MR. SMART: I'm afraid I don't have those rates.

MS. PARKER: I can speak probably more so for CalSTRS than I can for CalPERS but their conventional loans, they have to be, in that sense, conventional rates because pension funds are not allowed to, essentially, do something that constitutes a gift of public funds. So those are conventional products. They are just moving along -- STRS has been moving along with our help on the mortgage insurance side to provide 97-type loans. Previously their loan to value was substantially lower because they did take great risks with them. But I think in the market there's clearly -- We are supposed to be below the conventional market and
that is where we are.

MR. KLEIN: And the program that CHFA is helping STRS with, is that the program where they have an interest accrual?

MS. PARKER: I don't want to get ahead of Nancy so she has some opportunity to do a presentation for you. But she can answer that question when we talk about CalHFA.

MR. SMART: Continuing, our spread between low and moderate income is about 50 basis points today. We will continue to offer our best rate to self-help home owners; that is currently at four percent. With the extra credit teacher program we do provide an incentive rate, it is five-and-a-half in the high-cost areas and five-and-three quarters in the statewide areas. To nonprofit corporations who are providing affordable housing we will also offer a five-and-a-half rate, a five-and-a-half percent rate.

We will continue our efforts to partnership with localities, particularly our Affordable Housing Partnership Program. We currently have, I think, 187 localities already participating, to which we offer a preferred rate. Currently, I think, it is five-and-a-half percent where they provide down payment assistance. It is a very successful program. I think in the history since we implemented it we have reached over $450 million.

Certainly this year, as Dawn mentioned, we will be
working and coordinating with the marketing department
providing a marketing plan and promotion of the home
ownership programs such as our down payment assistance, and
particularly, the extra credit teacher program. We will, of
course, be involved in conferences and workshops, lender
training, as well as developing new marketing materials to
promote CHFA and the home ownership programs.

We will also focus on new products. The HomeChoice
program is a joint Fannie Mae/mortgage-backed security
program that we are close to implementing. It is a special
needs-type program for disabled first-time home buyers. That
will be introduced, I would say, within the next 30 to 60
days. We are just finalizing our agreements with Fannie and
our master servicer.

We are also looking at opportunities, as I
indicated earlier, with localities. The Southern California
Housing Finance Authority, which is a joint powers authority
for LA and Orange Counties, we are attempting to partner our
bonding resources with them, in which we would provide the
lending for them. It would kind of be like our Cal-Valley
program that we did a number of years in the past. Our
pacific --

MS. PARKER: Jerry, before you go on there are just
a few -- Maybe you are going to do it, I just want to make
sure. You are going to talk in the program specifics like on
changes in HICAP and whatnot?

MR. SMART: Um-hmm.

MS. PARKER: Okay.

MR. SMART: Specifically, for the home ownership program we have proposed a modest increase of 12.5 percent if the bond act is not approved. If it is then we would project a 25 percent increase. Our volume is basically predicated on market conditions, our ability to obtain select authority, interest rate strategies, availability of price and income and so forth. So it is not that we can't just go out and set a $2 billion goal and expect to achieve it, we have to have the down payment assistance to support that.

In our down payment assistance program, our CHAP seconds, we project an increase of $22.5 million. That is what we would anticipate to support the $1.125 billion home ownership program. You can see that we would decrease that to $12.5 million if the housing bond is passed. That is because we would anticipate receiving down payment assistance from the bond, which would supplant this program.

CHAIRMAN WALLACE: Say that again. It drops because?

MR. SMART: It drops because --

CHAIRMAN WALLACE: It sounds like you're going to get more money, therefore it would go up.

MR. SMART: Yes. We would anticipate about $117
million for the California Homebuyer Downpayment Assistance Program, which would replace our CHAP-funded program.

CHAIRMAN WALLACE: Okay. So that doesn't show up.

MR. SMART: No, I will --

MS. PARKER: The bond money is not in the Business Plan.

MR. SMART: I have a slide to talk about our program development there.

CHAIRMAN WALLACE: Okay.

MR. SMART: Our Self Help Builder Assistance Program. These are development and construction loans. Our target goals will be the same for the next year and are not affected by the bond act. As you recall, we offer $500,000 development loans to nonprofit organizations that are using the mutual self-help construction method to provide new construction affordable housing for first time home buyers.

In our HICAP program we project a $9.5 million level, both with or without the bond. In this program we are also proposing to increase the areas that we assist. We are going to be including Alameda, Sonoma and, I believe, Contra Costa Counties. And that is based on a review of the jobs-to-man in underserved areas of the high-cost areas we are working in. That would go with the three areas that we are now working in, that's San Francisco, San Mateo and Santa Clara County. That program is beginning to grow and we are
seeing good volume, even though it is a small program. I think we have, currently on the books, $18 million in registered loans and we do have some in San Francisco. It is beginning to have a positive effect.

MS. PARKER: It's really an excellent example of how partnerships work. The most recent information Jerry had given us is that we have six loans in the pipeline in San Francisco, which I don't know the last time we did a loan in San Francisco. But more importantly, we have 10 in San Mateo and 44 in Santa Clara. We are basically partnering with the City of San Jose and the County of Santa Clara who are putting down payment assistance in with us so that there is multiple layering. That is why it is really working for us to be able to do lending in that area.

MR. SMART: Exactly. Our lending prior to the introduction of that program was virtually nonexistent. So we are pleased and we are expanding so we expect some great things. Question?

MR. SHINE: Is there no consideration of Southern California areas like Orange County and others that are, relatively speaking for the market, a high-cost area as well? What criteria are you using to figure out where you want to do this program?

MR. SMART: Primarily, Orange and LA Counties are very well-served by the Agency's standard program. As a
matter of fact, I think in LA we were actually over-serving that community, so it wasn't an issue. This program was designed to work in the high-cost areas where we had previously under-served those population bases.

MS. PARKER: Mr. Shine, we do have down payment assistance in Orange and LA counties, particularly for low income and/or buyers of newly constructed homes. We don't typically offer it to moderate home buyers in areas that we serve through our regular program so that we can, essentially, try to push resources into under-served areas.

MR. SMART: To bring parity in these high-cost areas up to the levels that we are achieving already in Orange, LA and San Diego counties. The Extra Credit Teacher Program. This will continue to expand. We are showing here the $2.5 million. This is for down payment assistance. We offer $7,500 for credentialed teachers in low performing schools. You will see that the funding level drops to zero. That is because there is a significant piece in the housing bond, if it is passed, that would go to this program.

So the bottom line is that we would anticipate without the bond act achieving about a 16 percent increase overall, including our down payment assistance. All of this level of funding is either our tax-exempt bond funding and/or Agency reserves and funds that we utilize. If the bond act is approved then we would increase approximately 27 percent
to almost $1.276 billion.

MR. KLEIN: If I could ask, just to follow up on Mr. Shine's comment. The new construction limits in Orange County are about $450,000 and targeted areas are about $540,000. What we are saying is that within those limits there's enough new product available in that county? Is that what we are saying?

MS. PARKER: What we are saying is that we used to -- Let me go statewide and then we'll go to Orange County and LA. When I came we were trying to do somewhere between 50/50 of our lending for home ownership between newly constructed and resale. But as we have talked, the Board has talked about this issue over the last several years, for low income people the disparity has happened that really more of them can only afford resale, not necessarily new construction. What we try to do in order to look at our production levels is look at not whether it is new construction or resale but look at our lending per capita based on 58 counties. Also, when I came, we were only doing 9 percent of our lending in Los Angeles. That's why we created the Down Payment Assistance Program we have and that's why we have now been able to serve LA on a per capita basis.

So it has been, we believe, the Board's philosophy and vision to have a priority to continue to help new construction, so we give it for low income and moderate
income if somebody in Orange County or LA is buying a new
house--really anywhere in the state--to try to promote that.
But if it is for resale and it is in a -- resale for a
moderate income person and we are already serving those areas
we don't do down payment assistance for them.

MR. KLEIN: Okay.

MS. PARKER: Because we try to, essentially, create
programs to help -- You have specific program goals. Either
the lowest level of affordability on a median income -- CDLAC
requires all issuers to, essentially, try to have its
resources used for people who are the lowest income level, so
we try to do that and Jerry showed you by his chart how we
have kept with the faith of that. So although we do provide
something for moderate income people in areas that we are
serving, they are going to take advantage of our low interest
loan and that is enough to work for them. So where we need
to use additional resources, we do that in areas that are
under-served or high, high-cost.

MR. KLEIN: So in Los Angeles we now -- The comment
was we now are making more than the proportionate percentage
of loans in Los Angeles. What percentage of our business is
Los Angeles and what percentage is Orange County, roughly?

MR. SMART: I don't have the specifics but --

MS. PARKER: Ken has the --

MR. SMART: -- for example --
MS. PARKER: Ken has the chart. Ken, why don't you just sit down and you can -- since this is your chart.

MR. CARLSON: Well, this is Jerry's business here, I'll let him explain it.

MR. SMART: For example, the population-based percentage is 28 percent Los Angeles.

CHAIRMAN WALLACE: What do you mean by Los Angeles? The county of Los Angeles?

MR. SMART: The county of Los Angeles.

CHAIRMAN WALLACE: Okay.

MR. SMART: Based on the population of 9.6 million people or 9.8. That's 28 percent of the total population of California on a per capita basis. We are hoping to achieve that level to where at least 28 percent of our lending would go to LA. And we actually are at 36 percent, so 36 percent of our total funding is actually going to Los Angeles. Orange County, that is at 8.39 percent population and we are achieving nearly 15 percent.

CHAIRMAN WALLACE: Can we get a rebate to the north now that Shine brought all this up?

MR. SHINE: Nine million people is all in LA County? I don't think so.

MR. CZUKER: What's the population of Orange County?

MR. SHINE: Is that the 1980 census?
MS. PARKER: No, this should be the census data. What is California's population?

MR. SMART: Thirty-five million. I think that's why the CHAP program, the down payment assistance that we introduced several years back, has been a remarkable tool for us and has achieved the shift in funding that we were desiring and has worked very well. Except in the Bay Area what we have found, of course, is that the prices have risen higher in those areas than what our program will actually achieve so that's why we introduced last year the HICAP program with a larger down payment assistance to kind of bridge, as best we can, while partnering with localities to provide -- allowing the home buyers there to reach those price levels. It is not going to be totally successful when you have median prices in the $500,000 range and you have income limits that we have to live with in this program. It is going to be limited but with the results that we have had we are quite pleased.

MS. PARKER: Actually, I'm really glad you asked this question. We track this data. We track our data on our volume every day and every month we have the production levels by county. We have been doing this for several years so we have great historical data that we use, in that sense, to bring in to the development of the Business Plan. So we can provide you whatever level of depth of data that you
would like on where the product is utilized on a county basis
for several years going back if that is of interest.

MR. SMART: I might add, too, with respect to LA
and Orange: If we experience a reversal in fortunes where
the percentage level drops in LA and Orange then we will, of
course, introduce the CHAP program to moderate income to
generate the business.

CHAIRMAN WALLACE: San Francisco probably does not
even show up on that chart.

MS. PARKER: Sure, it does.

MR. CZUKER: In terms of population.

MS. PARKER: We have done --

MR. SMART: Population. It's got one-point --

CHAIRMAN WALLACE: It's about --

MR. SMART: About 800,000.

CHAIRMAN WALLACE: Yes, right.

MR. SMART: That's two percent of the population
and it shows our level of lending is zero.

CHAIRMAN WALLACE: That's what I meant.

MR. SMART: That's why we are targeting those
areas.

CHAIRMAN WALLACE: They are just out-pricing our
ability to do business there.

MS. PARKER: Well, we have got six loans in the
pipeline.
CHAIRMAN WALLACE: That's why he got so excited.

MR. SMART: Yes. Six loans, that's improvement.


MS. PETERSON: I wondered if you could tell us what
the income level eligibility is in the HICAP program.

MR. SMART: In the HICAP program it's the same as
our regular MRB program. I don't have my income figures with
me but it varies by county and it's at the MRB level.

MS. PETERSON: But as a percent of the area median
it can go as high as $120,000?

MR. SMART: For a small family size it's 100
percent of area median or statewide median, whichever is the
greater, and 115 percent for larger family sizes.

MS. PARKER: I think it's in the 90s. We just
updated these based on --

CHAIRMAN WALLACE: You're getting a lot of support
here, Jerry.

MS. PARKER: A lot of information.

MR. SMART: For San Francisco --

MS. PETERSON: Really, all I'm trying to find out
is that while it's certainly a worthwhile thing to try and
spread our funding around to underserved areas of the state
and the high-cost areas of the state it is, obviously, a
conscious decision to dedicate revenues to people who are at
100 percent or above of area median income. That's a policy
decision.

CHAIRMAN WALLACE: Okay, any other questions for Jerry? I sense you are through your presentation.

MR. SMART: I just have one more.

CHAIRMAN WALLACE: Okay.

MR. SMART: Last is Program Development.

Certainly, if the Housing and Emergency Shelter Trust Act is approved there would be $290 million in down payment assistance. $117.5 million would go to the California HomeBuyers Downpayment Assistance Program, that's 3 percent down payment assistance. The same program we offered a year-and-a-half ago and that we had to close down, I think it was last July, due to the budget situation.

$50 million would go to the School Facility Fees Grant program, re-funding that one. $25 million would be targeted for economically distressed areas, $25 million for first time home buyer, and that's for new construction. Then $25 million for the Extra Credit Teacher program that I mentioned earlier and $12.5 million to the Neighborworks Homeownership Program. And that is actually using a portion of the $17.5 million down payment assistance. Excuse me, that program, but it would be set aside for federally funded nonprofit organizations that provide home ownership counseling to first time home buyers who are purchasing homes in targeted areas, revitalization areas. That's essentially
our Business Plan for the coming fiscal year.

MS. PARKER: Just to add one little additional bit of information. We had a meeting with the Treasurer earlier this week to talk about the extra credit teacher program. The production levels assumed in the Business Plan are approximately 300 loans a year. We just started that program last July. Relative to our other issuing partners at the local level we are doing gang busters but it is still a relatively niche program.

The Treasurer would like us to see if we can't set a target of instead of 300 loans of 500 loans, and has asked us to take a look at programmatic changes that could either provide greater incentives to increase that production level and/or administrative processing-type changes that could ease the application and, in that sense, increase the utilization of the product. So we are going to go back and take a look at that. We are also going to be looking at if the bond passes, things that we could be using the bond money for incentives, and we will be working with the Treasurer's Office. Because they would need to make some changes in their regulations to their program that we then, as one of the issuers, would incorporate in our programmatic changes. So we are committed to looking at that and doing it and I just wanted to add that. The other day we had a $9 million day and we did three extra credit teacher loans.
MS. PETERSON: I would like to just follow up on that and say once again that the Executive Director has outfoxed the Board by making a comment before. Because I wanted to convey publicly the Treasurer's thanks to the Executive Director and the staff that are working together to revise the extra credit teachers program.

We did have a meeting that was, I think, a very good meeting, and it certainly is in the Treasurer's vision to try to make this -- even if it will always be a niche program, to try to increase the production in it by looking at not only teachers and principals but, perhaps, adding guidance counselors and school nurses and things like that and also looking at the length of service. As I think most of you know, this really has to do with incentivizing teachers in low performing school districts to be able to become first time home owners. Like I say, on behalf of the Treasurer I thank you, Terri, and your staff for taking a look at it and we expect to continue those talks and to hash out a program that will be evermore productive.

MR. KLEIN: In the estimates that we see here --

Two comments. One to follow on Jeanne's is that since there seems to be a very high consensus in California that we need to help teachers get housing it would be great if the initiative you have already undertaken, which is very encouraging, in dealing with this down payment assistance to
try and aggressively help teachers, if we could, based upon
the passage of that housing bond, in fact, create some pretty
aggressive levels, even above 500. Maybe at 1,000 loans a
year.

MS. PETERSON: Oh, definitely.

MR. KLEIN: It doesn't mean that we have to hit the
1,000, it means we need to try for it. It means that we have
to reach. Because if the voters are going to give us some
money in a time of scarcity we need to be reaching and
showing them that we are trying to fully employ these
resources. But that type of a program, if it is credible and
if it's a legitimate and possible goal, could be very good to
help support this housing bond issue. They know we are out
there trying to do everything we can with those resources if
they give them to us.

The second thing is, Does the projection here of
volume assume that we do not get a change in the ten-year
rollover rule?

MS. PARKER: Yes.

MR. KLEIN: Okay. If we did get a change in the
ten-year rollover rule and had the housing bond issue pass
couldn't we have a third column that really says, what can we
do if we have the housing bond and the ten-year rollover rule
is changed. Because then in terms of the housing bond issue
it would show, potentially, a greater impact we could make
with the benefit of the housing bond being passed in terms of
the political product that we can deliver.

MS. PARKER: Mr. Klein, I think we have not done
that because, I think, we need to have a conversation about
the variety of options that the Board may want to consider.
The Business Plan is predicated throughout the five years, in
the out years, as our re-funding ability is reduced, that we
would get as much as $400 million of bond cap from CDLAC. If
we don't get that we won't be able to do the business we
have, and in that sense, the ten-year rule would,

essentially, help make that up. So it may not, in that
sense, result in anything additional and above here but it
may merely allow us to meet the targets that are here. So
that's one possibility.

The second possibility is if we were in a situation
where we got more bond cap, didn't have to use the recycling
ability from the ten-year rule. We might also look at
whether or not lowering rates, particularly for some of these
programs, might be somewhat the best incentive. In that
sense, not do greater production but be able to hit targets
we couldn't reach because -- What we want to do is look at --
And that's part of our discussion of looking at the teachers
program. What kinds of things might be produced as a product
that would work best in, you know, the programs that we want
to achieve public benefit from.
So I guess what I'm saying is that we have said we are probably losing the equivalent of $200 million a year in lending because ten-year rule isn't passed. So we could do that much more lending, it may keep us at our current levels of lending depending on what happens with bond cap authorization, or it may keep the same levels if we wanted to try to do something to hit program public benefits of lower income groups.

MR. KLEIN: Well, I think it's a very sound approach you are taking to the basic Business Plan given all of these things you are trying to balance. But perhaps subsequent to adopting the Business Plan there could be a supplement that says, these are certain options that might exist if we got the housing bond approved, if we got the ten-year rule changed. And that if we had those supplements in place by the August roll-out date there may be some very legitimate positive news that's available to wrap into the message that is being delivered to get the housing bond passed. I'm not saying that -- I mean, you are balancing a lot of things, we have got a fabulous staff here, but possibility can only be stretched so far. But I think it is something we could look at in terms of what are our supplemental possibilities here.

MS. PARKER: Particularly with the housing bond, that's easy. The ten-year rule is just always a -- We were
at 65 percent of the California delegation that has co-sponsored that. There's 72 percent of the House in total so California is kind of lagging in its per capita participation of co-sponsorship. Clearly, the economic situation is also happening at the federal level. They are taking a hard look at their appropriations bills. There may be one tax bill that happens this year and so it's going to be a real long shot if anybody gets into it but we are certainly going to be trying to make a push for that.

There's a feeling that the Chairman of Finance may do a charitable choice bill. That could be a vehicle, but everything we are hearing is that the ten-year rule may be not a doable thing. It may be something that's a future year. We keep it on the scorecard but I just don't know how far we want to get out. When we go back to Washington we tell people about the $2.1 billion contribution California is willing to make if the federal government will step up and match it.

MR. KLEIN: Well, potentially we could say, if it's passed in 2003, if it's passed in 2004, this is what it would mean.

MS. PETERSON: Do we know how much it is over the next five years that the repeal would mean?

MS. PARKER: Ken, it's --

MR. CARLSON: Thank you. Right now we are getting
a lot of prepayments so it's quite a bit that is being lost. Maybe in the year more like -- I think we were seeing for this last year it's more than $1 million a day. That's what we were looking at. It's close to $400 million. But I think going forward, once all these excess prepayments stop coming in I think it's going to round out at about $200 million a year.

MS. PARKER: And you should know that what is lost is lost forever. So if legislation passes next year we cannot go back and recoup what was lost from the day before, even. So when it's gone it's gone forever.

MS. HAWKINS: Mr. Wallace, Mr. Czuker has a question. I'll turn it over back to you.

CHAIRMAN WALLACE: Are you willing to acknowledge that? You're on.

MR. CZUKER: Thank you. From a marketing standpoint we have obviously focused a lot of attention on public purpose and benefit towards teachers. I am wondering whether we should also consider a marketing effort towards police and fire department throughout the state. The public servants who would also benefit from these programs in their local communities. Many of these public servants have to commute long distances and hours to serve in the communities that they are employed. Having these type of programs available would encourage home ownership and live/work and
have environmental issues of reducing traffic, congestion and commute times for the general public as well.

As a sidebar, at some point later today I am wondering if we will get any discussion or clarification on how union labor requirements may impact a lot of our projections for both single family new construction and multifamily new construction and the fact that a lot of the subsidies may not be as stretched or would need to fill a greater void if there is a greater gap due to union labor requirements on some new production of affordable housing.

**MS. PARKER:** Mr. Czuker, I'll answer the first part of the question. I'll let the second part of the question go because it really will wrap into some of what Linn is going to talk about. I just passed you the baton there, Linn.

**MR. WARREN:** Thank you, Terri.

**MS. PARKER:** We have, I think as staff brought to you, proposals for the role that CHFA should play as a statewide issuer to do programs that if they are a niche that they are typically not with respect to certain vocational or job situations. That's why in the past our programs have been, primarily, if we are going to help it is going to be a lower income or a high-cost area statewide as opposed to picking some particular niche groups out.

The Treasurer started the extra credit teacher program and the first year that he offered allocation to
issuers to run that program, which is clearly very much a niche, CHFA did not participate. The reason why we did not participate was because that was the year that we had the CHDAP program to implement and also many changes in the school facilities program to implement. So we thought since those programs were much more statewide much more consistent with our mission, that we wanted to do a good job on them.

This last year the Treasurer came to us and asked us specifically, because we have a statewide ability to serve, if we would, in fact, do the extra credit program. It wasn't offered statewide because only certain localities decided to do it. So by us coming in that meant this product was available to everyone statewide. We have tried, in that sense, because there has been this special emphasis on teachers. There was special money put in the Governor's budget a couple of years ago for the Department of Education to do recruitment and retention, to see, because if those things were available, if we could level up.

But when Nancy talks today a little bit about what is in CaHLIF she can talk about some programs that we have been doing through the CaHLIF side that, in fact, do reach out and look at everything from work force housing. We have pilots that we are doing for police and law enforcement. So we are doing that. We just want you to look at the home ownership housing continuum in totality. Some of that we are
doing on the insurance side and some things we are doing on
the first mortgage side.

MR. CZUKER: But some of it could be addressed
purely from a marketing standpoint. Because the programs are
universal and can be offered throughout the state. How we
promote and market the availability of these programs to
local municipalities may encourage participation that gives
us a new distribution network for these programs.

MR. KLEIN: I think that there is a good point
there in that our local government partnerships, many of
these local governments now realize that for public safety
workers that there is a tremendous advantage of having them
live in or near the community that they are serving rather
than an hour away. So local government may be prepared to
contribute deeper down payments or second trust deed funding.
Contribute more to the funding equation so we can reach
these public safety officers, whether fire or police, that
otherwise live far distant from their communities. And if
there is a major earthquake, for example, in the Bay Area,
they are not going to be there when you need to marshall all
your forces immediately.

MS. PARKER: I think that was originally our intent
by doing the HICAP program in San Francisco because they do
have substantial down payment assistance and we went to talk
with them about seeing if we could do that. But,
unfortunately, we are not able to match our programs up with them because based on how they run it, our bond counsel, essentially, said it did not meet our tests. So we have been somewhat precluded in being able to partner. We have offered, we would certainly like to do that, and leverage both the dollars. But unless they wanted to restructure their program to meet our federal requirements we were not able to be successful in that circumstance.

CHAIRMAN WALLACE: Yes, Carrie.

MS. HAWKINS: I just wanted to add several thoughts that have been triggered as a result of the comments by fellow Board Members here. I thin the reason we have always been so successful, one of the reasons, is the governance model. We as a Board have always allowed the staff to manage. We have given the vision as to where we want to go and it has worked.

Secondly, our partners that we as a public agency have partnered with, the lenders. We have had such quality in implementation and monitoring of our programs that we have never had any scandals or setbacks as far as funds being utilized inappropriately, as many other agencies in other -- And I don't mean state agencies, I am not speaking to state agencies, but just agencies in general, have had. And I think that this would be good to expand it to the police and fire departments. Because of our excellent programs and
partnerships we can execute the plan without a waste or misdirecting those funds. I get very excited when we think of expanding.

I would like to add that historically Los Angeles and Orange County did not have the benefit of these great lumbers. But because of policy modifications through the fears we were able to redirect resources to those areas, now we may have to redirect. So, Jack, we better be quiet about our successes there, right, or they may be going to other areas. Anyway, those are just some thoughts.

MS. PARKER: I think Dawn has taken good notes. The timing of this is perfect because we can, essentially, talk with our consultants about marketing along those lines. Again, this will play into our later discussion of the Business Plan where we are, essentially, asking you to adopt a Business Plan/Operating Budget which includes an increased infusion in marketing resources.

CHAIRMAN WALLACE: But, Terri, back to Ed's question. There is no statutory or other mission-type reason we couldn't do fire fighters and police.

MS. PARKER: Yes. I mean --

CHAIRMAN WALLACE: That really is --

MS. PARKER: What Mr. Czuker is talking about is, asically, from a marketing standpoint making sure that they are aware of what our general loan is. Which our general
loan, particularly with CHDAP and the down payment assistance, is a very good loan. Just marketing and making sure those people know that it is available. That's a marketing issue.

CHAIRMAN WALLACE: Is that what you are saying, Ed, or are you talking about creating a teacher-like program?

MR. CZUKER: Well, initially the teacher-like program was suggested by outside forces that gave us resources to deploy.

CHAIRMAN WALLACE: Right.

MR. CZUKER: I'm saying, since we don't have those specifically from the Legislature in this circumstance, whether CHFA can focus, perhaps, its marketing effort. Because we do have such excellent affordable housing tools available, both on the single family and multifamily, to make the local life safety workers live closer to the areas they work. In time of emergency I agree that would be an asset. But even just from general commute environmental issues, it certainly takes the traffic off the roads and highways and is a public benefit for all citizens.

CHAIRMAN WALLACE: You are not saying, create a new program. You are saying, take the programs we have and market them to these segments.

MR. CZUKER: To the local municipalities so it gets distributed in higher ratios to police and fire in the local
CHAIRMAN WALLACE: Fair enough. Okay. Now, there was a second question.

MS. PARKER: I said we were going to defer that until we get into multifamily. We have written it down, we will address it.

CHAIRMAN WALLACE: Okay. Nice out, Terri. Are you ready for Nancy?

MS. PARKER: If everybody is through with the lending side of home ownership we can transition and segue to Nancy for the discussion on the insurance arm. As you all know, Nancy has just joined us. We are very pleased to have someone with her incredible skills and background, and even more so as we go through the transition with CaHLIF. So I want you to be mindful. I'll just do the overall introduction that we are going to be going through a transition year with CaHLIF so in that sense we are looking at the program, the benefits of it and where it can go in the future. This is timely to do this, particularly given Nancy's arrival and what potentials there may be with the bond.

MS. ABREU: Okay, thank you very much. What I would like to do this morning is talk a little bit about the accomplishments of CaHLIF this last year and talk about what is on the horizon for the coming year. In that time period I
think, Mr. Klein and Mr. Czuker, I'll address some of the comments you have made, in particular, what CaHLIF has been doing on the insurance side for law enforcement in some of our localities in the state and some partnerships we have with, for example, the City of San Francisco, City of Los Angeles, etcetera, and address those, and then talk about the numbers in particular.

So in reference to the last year and what we have accomplished: The production has basically doubled from $269 million to $538 million. The biggest growth has really come from two initiatives, one which we call local partnerships. Previously, I think the nomenclature for that was RDA, but those are basically a 97 percent first deed of trust loan which is sold off to one of the agencies or one of the GSEs, and either a 3, 5 or 6 percent silent second behind it, which is a deferred loan. So we have seen in the last year a significant growth in that. We now have partnerships with 12 redevelopment agencies or entities throughout the state that we are working with.

The other growth is coming in the STRS program. Different from what we do in home ownership and the extra credit teachers but actually providing mortgage insurance on the transactions that are originated by STRS. And those loans are either a 95 percent first deed of trust loan and a 5 percent deferred second--to answer your question,
Mr. Klein—or more recently what has really grown in acceptance is an 80 percent first deed of trust and a 17 percent deferred second. So from a qualification standpoint the teacher actually qualifies on the 80 percent first because the 17 percent is deferred. So those are where we are really seeing the growth.

To go back one slide. Policies; We have, basically, 8,900 policies in force from a previous number of 7,700, so a growth of about 15 percent. We have crossed the $1 billion milestone as it pertains to amount of insurance out there so we have $1.26 billion in insurance out there. Forty-six percent of what CaHLIF has insured is to minority, and like the portfolio in home ownership, the preponderance at this point is to Hispanic. The last bullet: Fortunately, or unfortunately, there's a typo. The ratings continue to remain. It should be Moody's Aa3 stable, not triple-A, and the S&P has confirmed within the last 30 to 60 days a strong A+ rating on the CaHLIF transactions.

MR. WARREN: It's a super rating.

MS. ABREU: A super rating.

MR. KLEIN: Nancy?

MS. ABREU: Yes.

MR. KLEIN: Could you, since we have some new Board Members in particular, and because I need a refresher course, explain exactly how that 17 percent deferred second works to
help achieve home ownership.

MS. ABREU: Sure. Basically, the way the transaction is structured it is called a two note, one deed transaction. So the actual consumer signs a note for an 80 percent of the appraised value or the sales price and then a separate note for a 17 percent second. It has one deed of trust and CaHLIF is providing the mortgage insurance on the second. We are insuring the 17 percent second. The loans are sold or they are STRS loans, they are in the STRS portfolio. The 80 percent they have in the past, or historic, sold off to Freddie Mac. They have recently negotiated a seller relationship with Fannie Mae and Fannie Mae know is aggressively working to see how they can expand home ownership with teachers in California and trying to work on a program with STRS.

The 17 percent is simple interest. It's deferred where it is not payable until the home, basically, is refinanced or sold and at that time they would owe not only the principal but the accrued interest. So because the interest is deferred you don't have to calculate the debt service, if you will, into the monthly payment. So it basically gives a teacher more buying power or more purchasing power because they are being qualified, if you will, on the first.

MR. CZUKER: What interest rate is on the second
and is it accrued on a very simple basis?

MS. ABREU: I believe, and I don't know the specifics. Greg Carter is in the audience, he may know specifically on the teachers. I believe it is six percent, I am not 100 percent sure. And it's a simple interest accrual.

CHAIRMAN WALLACE: Okay.

MS. PARKER: For those of you who don't know this, because Nancy is so new we have actually lent Greg Carter from the special programs in home ownership from a lending side to come over and work on the insurance side with Nancy.

So Greg has been pinch hitting and is now learning more about insurance than he probably ever thought he would.

CHAIRMAN WALLACE: Yes, Ed.

MR. CZUKER: I'm sorry, one other follow-up question. On the single deed of trust. Does that already adjust for the ballooning feature of the second? Because, obviously, with the accrual, which could go on many years, 30 years or more, is the collateral debt already in a face amount that absorbs the accrual?

MS. ABREU: There is a rider to the deed of trust that addresses the amortization at the end. And one of the things we will talk about when we talk about tasks-to-do is we are reviewing all our documentation. We have retained Morrison and Forrester to begin looking at some of the documentation utilized within CaHLIF to make sure it is
current and covers all the programs.

CHAIRMAN WALLACE: Good.

MS. ABREU: In reference to the programs in dollars in particular: Local partnerships, which I said previously was RDA, we are basically keeping flat from the prior year. This year we will do about $220 million in that category; we look at increasing that to about $225 million. The Freddie Mac Affordable Gold will show a slight increase. This year we will come in somewhere around $25 million; next year it will be $40 million.

Freddie has an initiative and part of their program is targeted in Los Angeles to police officers and we provide the mortgage insurance on that program. The lead lender on that is Countrywide and we spent about four hours yesterday with Countrywide going through it because they are one of our strategic partners, the programs we do with them and any ways they could be expanded. Freddie will be expanding their police officer program to Riverside County and last week we approved or accepted that we would be their mortgage insurance partner in the expansion of that program to Riverside. And again, Mr. Czuker, kind of your comment of live/work, especially in the Los Angeles area.

PERS and STRS previously have been lumped together in one category; we are attempting to try to break those products apart. PERS is providing the mortgage insurance on
the actual transactions done by PERS and they utilize First
Nationwide as, basically, their exclusive lender/marketer/
servicer, if you will, of the PERS transactions. STRS, we
will see a slight growth in that area of about 40 to $50
million. The programs with STRS really have only started. I
think we talked at our January Board Meeting and again in
March that the 80/17 in particular is somewhat new. It has
been out there not quite a year and we have seen some
significant ramp up in that program. So for the coming year
we see that growing about 40 to $50 million.

We also are showing some growth in our partnerships
with our own Agency, with CHFA, and see that growing about
$10 million. So for the coming year we are projecting to
come in about $615 million, which is about a 14 or 15 percent
increase from what we will see this year.

MR. KLEIN: Nancy, with that growth how is our
capital base ratio to that growth? Do you need any more
capital? And, does the housing bond have any funds that
could contribute to that capital?

MS. ABREU: Yes. I guess two answers. One, the
capital has remained very stable and we have excess capacity
so we can do significantly more and we will be looking at
that. The housing bond has $85 million that is allocated to
CaHLIF for programs. At this point we have not factored it
into our plan. And as Terri said, and I will talk to now, a
lot of what we will be doing this year is really kind of looking at our programs and looking at our products to see where it makes sense to expand it, with an eye towards if we get the $85 million. What can we do more of?

MS. PARKER: Nancy, give the Board a little bit of an update on where we are with CAR and the legislation that they had last year and our most recent meetings with them.

MS. ABREU: Sure. We probably talked at one of our Board Meetings about some discussions we had been having with CAR as to where CaHLIF, if you will, should be placed or housed within the organization. Whether or not it should remain part of CHFA or under the CHFA umbrella, or be a separate entity under BT&H or possibly somewhere else. And we have had lengthy meetings with CAR. Most recently, probably about 30 days ago, we met with Ron Kingston and Alex Creel of CAR, and also had on the phone Charlie Titterton at S&P, and really walked CAR through how our rating with S&P of A+ is derived and how important to that rating is the umbrella and support provided by CHFA, not only financially but managerially. I think we all left that meeting feeling that any movement that had previously been afoot for consideration of movement of CaHLIF outside of CHFA probably is a dead issue at this point.

MS. PARKER: Charlie Titterton basically said, if CaHLIF moved outside with $85 million of an infusion plus its
existing reserves of approximately $30 million that its rating would be -- it would not maintain its rating, its rating would definitely be lower. The way the bond stands right now is the $85 million is part of the $290 million that is for down payment assistance. The $85 million is earmarked to go to CalHFA reserves, however, if it is not used in three years those $85 million go into the mother ship of CHDAP and could be used for down payments on the lending side.

So how we have essentially left it with CAR is, everything we have been telling you all along -- It is not necessarily a matter of needing reserves, it is a matter of developing products that are necessary in the market. We think a better route to take is look at this $85 million and see what kind of products we could develop, either by putting it in the reserves and/or mortgage insurance write-downs. Some kinds of things to use the $85 million to be effective and work on, perhaps, some legislative proposals prospectively.

MR. KLEIN: Looking back over the last 25 years, the S&P comments are extremely logical, and certainly you predicted those comments would be the outcome of that meeting. But it would be very helpful as one Board Member to at least get a summary and other Board Members might like a summary of those comments. Because clearly CHFA's staffing capacity, managerial capacity, provides a tremendous umbrella
to CaHLIF. To have a bullet point summary of those comments would be very helpful because it just validates the positions that we have all been taking over the last year.

MS. PARKER: We can certainly do that. One of the things that we can do is -- You know, in our latest discussions with CAR through the winter and early spring -- As you well know, several of the Board Members met with CAR last August and CHFA was promised from them a document which talked about what programmatic concerns they had and what they would like to see accomplished. We have never received that. When we met with them they basically say, well, we just want you to do more, and we sort of said, you need to help us understand what more means.

But the way it had progressed is we finally decided that what we should do is ask S&P to do some kind of a rating analysis. We worked on developing questions that we would submit to S&P so they could give us an estimate about how much the rating analysis would cost. S&P came back and said it would cost them about $50,000 to do a rating analysis and we talked to CAR about we would be willing to split the cost with them of doing this, just to get it out in the open.

What happened was some -- The first generic question that was -- Part of these questions was, would the rating of CaHLIF go down if it was outside CHFA and Charlie responded back and answered that fairly tersely. What I
would like to do is get that back out to you because we actually have that in writing and that was free. But then we thought it was important for CAR, for them to maybe get an understanding of what Charlie would look like. Because we had told them if we do do these questions CAR is going to need a business plan. S&P will need a Business Plan and we can't produce a Business Plan for an evaluation because we don't know what is the business that you are planning.

CHAIRMAN WALLACE: Meaning CAR?

MS. PARKER: Meaning CAR. So we thought it would be helpful for them to hear from Charlie what rating agencies really look like, and that was this call that we were on. Which, I think afterwards, my conversation with Alex the next week was that he wasn't sure that it was worth spending $25,000 given what they heard. But we do have this in writing and we can sort of try to captualize the comments. I would love to have something lengthy in writing but I don't know whether or not it's worth spending the money. We will have to see where CAR is at. But we are hoping that we have put this issue to rest.

CHAIRMAN WALLACE: But don't count on that. I think there is a much deeper -- That was a tactic using the rating agency thing. But there is a much deeper agenda there and that is CAR, for a lot of good and valid reasons, vis-a-vis their membership, would like to have much more control
over the insurance product in California.

MS. PARKER: Well --

CHAIRMAN WALLACE: FHA doesn't work for them and they have always harbored an idea that since FHA doesn't work because of the high cost of housing in California that they would like their own agency. And that's what AB 999 was designed to do. One that they could control, take it away from CHFA. So I think they are temporarily derailed but I would tell you we probably have not seen the end of it.

MS. PARKER: Well, I think what we are trying to do, Mr. Chairman, is continue to educate what we believe may have been some misinformation shared with CAR about CaHLIF's potential. We also feel that's our responsibility, to make sure that they do have a good understanding about how insurance works, how insurance works in California and how the rating agencies look at stand-alone funds, particularly in an environment where there has been a shrinking number of insurance funds, just like there are lenders, and in that sense, what the competition would have to be in order to make something work. So we see that as all of our responsibility to move that along. And hopefully that --

The one thing that has come out in a great deal of support for us, the Pro Tem in the discussions on the bond bill, would not agree to CAR submitting a bill that included any of CHFA's existing pledge to CaHLIF, that it would go
with any separation. So they would have to have a source of funding that would be significant enough for them to get a rating. The $85 million that is in the bond bill only lasts three years so this is something that they tried to come back with as they, you know. This is the renewed discussion from 1996. '94, '96?

MR. WARREN: 93.

MS. PARKER: 93? So if they come back in eight years they won't have $85 million, they would have to go and get money again. I think there was at one point in time a hope and strategy on their part that they could at least park $85 million for awhile and nobody is going to let them do that.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I agree with our Chairman that this issue won't go away because it is a longstanding challenge for the real estate and housing community as far as how do you bridge that gap of insuring above the FHA limit, who is going to insure it and where the private MI companies are not able to deliver for whatever reasons. So perhaps we could have a brainstorming session with the CaHLIF committee or something and talk about those issues.

(Tape 1 was changed to tape 2.)

CHAIRMAN WALLACE: Let's go on hold for now. The ball is clearly back in CAR's court. I think they -- One of
their prime ideas was that out from under the CHFA umbrella CaHLIF would maintain its rating with the rating agency and that pretty well got shot down. Therefore they needed to develop this strategic plan if they were going to go there and now they are not convinced they want to spend $25,000 to do that, even. I think the ball is clearly in their court and maybe someday, Bob, we'll get that report from the August 17 meeting they promised us last year.

MR. KLEIN: Right. And certainly the Chairman has a very strong record with the realtors and with CAR. Certainly, to the extent that the Housing Agency is certainly addressing the programs that benefit the state and the realtors within the public purpose of the Agency, and the Chairman's insight to CAR and dedication to that organization, would be hard for anyone to duplicate.

CHAIRMAN WALLACE: The best thing we can do is what Nancy is talking about. You're a breath of fresh air. We need to take CaHLIF, shake it, this is what she's doing. Shake it down, see what we can do and double production again. I know this is not going to happen overnight but that's wonderful. And if we do that then CAR's AB 999 is going to look even worse than it did the last time.

MR. KLEIN: I think Carrie has a question.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: And that's exactly what I was talking
Not the AB 999 issue but what we are doing and the initiatives we are taking and some of the things we can do to just be ahead of that.

CHAIRMAN WALLACE: Right.

MS. HAWKINS: Their initiative. And do it without being pressured by them but doing it of our own initiative, which is what I think will work.

MR. KLEIN: Right.

CHAIRMAN WALLACE: That's --

MS. PARKER: Thank you, Carrie, I appreciate that. I guess, so Nancy doesn't want to look for a window at a high level, I just want to say this and make this very clear because I want to relate to you what we believe is what we think is doable and accomplishable. We need to go through CaHLIF in totality and find out, really, what its roles and responsibilities should be in the market. So we don't really want to talk about production and would prefer, in that sense, that you give us some flexibility. We will continue to report on that. And not think about this so much of what is the production level you are going to do next year but what are you going to do to look at what are appropriate roles and responsibilities and how can CaHLIF be used in the market.

We have a number of people coming on to do everything from starting to provide basic documentation. We
are going to have to look at the infrastructure of the organization. We are going to be hiring consultants that look at how insurance can be used in the marketplace. These are all the things that we want to do. And when we get to that point we think we will be more comfortable for us to talk about numbers, productions, what is realistic. We would like you to be thinking in those terms so that we don't give an expectation to you all that we don't think we can meet right now, but that this time is very, very valuable for us to really plan where we are going forward.

**MS. HAWKINS:** And I agree with that and I think we need to look first at the mission and the scope and then the products and the microaspects of it.

**MR. KLEIN:** And we all do appreciate how lucky we are to have you here, Nancy.

**MS. ABREU:** Thank you very much, Mr. Klein. Well, Terri just stole my next slide. So rather than going through it point by point--because I think Terri did do a great job mentioning it, as did the Chairman--this is really a year of opportunity. To look at the infrastructure within CaHLIF, to look at our products and programs, to look at the systems and to really work with our stakeholders to develop some best practices out there in the industry and embrace them. So I am not going to go through each of the bullets but we will talk a little bit about just a couple of programs that CaHLIF
has recently launched that I think address some of the
comments you had made, Mr. Klein, and Mr. Czuker, and he is
not here.

  The one is the work force housing summit in San
Francisco. That is basically a collaborative effort with the
San Francisco Chamber of Commerce, the Federal Home Loan
Bank, RAI, Rural Alliance, and CHFA. That will be a
transaction -- They are looking to kick off products or
introductions in January of 2003 which will combine a 97
percent first deed of trust loan and a 6 percent second.
Both the first and second will be insured by CaHLIF.

  The target of those is basically your middle income
moderate income earners that work in San Francisco. They are
targeting up to 120 percent of median initially to go to 140
percent if needed. But the focus is really on the hospital
workers, the police officers, the safety workers, the
teachers, that actually work in the San Francisco community.
  The way that would be structured is the 6 percent second
would be funded by a combination of monies provided by a
housing trust that is going to be set up by the San Francisco
Chamber. The San Francisco Chamber is targeting to raise $4
million before the end of the year. The Housing Trust would
actually buy or fund the second transaction and CHFA would be
a player also in funding the second. So a very dedicated
focus to the work force, the live/work San Francisco area.
From a marketing perspective, just to make some comments. There was a significant amount of press. It was launched, I guess, two weeks ago tomorrow in San Francisco, got national media coverage, newspapers, and a lot of significant press for the Agency and the commitment. Nancy Pelosi was a speaker via satellite, Willie Brown was there, so it was a very strong commitment. It was launched by Roberta Achtenberg and the Federal Home Loan Bank. And since the Federal Home Loan Bank is the primary purchaser or a big purchaser of our bonds we have been working with them since to see if there is even more of an expanded role for the Agency in this transaction.

There is also a similar program that we are doing, it's called HIRE, in Orange County and Los Angeles, which is a 97 percent first and a 5 percent second, of which CaHLIF provides the mortgage insurance. That is also targeted to people who work in those counties. The municipalities and localities feel very strongly that they should also be living in the areas they work. So those are two programs. The HIRE program in Orange and Los Angeles is really kicking off as we speak, it kicked off Monday in Orange County. They had some leaks initially, they have had over 1,000 calls on it and the program has not even gone live. We will probably be kicking it off in Los Angeles within the next two to three weeks once we make sure we have all the infrastructure issues in place.
We are working with CHFA. Kind of unusual to say but there's some significant opportunities with CHFA to streamline the process of, if CHFA approves a new lender. Very simply, do you want to have mortgage insurance provided by CaHLIF. If so, great, there's one agreement, you sign them and you get both. You become an approved lender and an approved lender from the mortgage insurance side.

We are working with, as I mentioned earlier, our stakeholder groups. We just started, as I said, yesterday, meeting with Countrywide. Really talking about what programs we do with you, what is your view of them, but more importantly, how do you view us as a business partner and what could we better. We met with four different groups within Countrywide yesterday and got some very good input that we will take back and be changing some of our processes and procedures going forward and look to expand that with a couple of our other major lenders. If you look our major lenders at this point have really been the Wells Fargo, Countrywide and NAMCO or Washington Mutual. So we will be working with them to solicit input.

I think we have talked to all of you and I think you have heard Terri's commitment and my commitment to continue to, as the Chairman said, shake the trees and pick up what falls out. Go through it with, you know -- Look at each item carefully and come back with an enhanced product
line.

MS. HAWKINS: Thank you. Mr. Chairman.

CHAIRMAN WALLACE: There's supposed to be a band that strikes up now. Linn Warren.

MR. WARREN: A funeral dirge, perhaps. (Laughter).

For me, for me.

CHAIRMAN WALLACE: While he is setting up, there's parking coupons here for -- How many drove? Very few, probably. Have a coupon, you get a special rate. Anybody else? Eddie.

MS. OJIMA: I think they just take one.

CHAIRMAN WALLACE: You get -- We are being very --

MS. OJIMA: Generous.

CHAIRMAN WALLACE: -- generous here. All you need is one of those so pass back these others.

MS. OJIMA: Because I have to return them, the unused ones.

MR. SHINE: This is the max?

CHAIRMAN WALLACE: Yes, that's all you get. You get a fixed rate.

MR. SHINE: Anyone else? Going, going.

MS. OJIMA: It's a fixed rate.

CHAIRMAN WALLACE: You get a fixed rate, you pay more.

MS. PARKER: Mr. Bayuk, did you drive?
MR. BAYUK: Someone is picking me up.

MS. PARKER: Okay.

MS. NEVIS: That's great. We'll go with him.

CHAIRMAN WALLACE: Ready, Linn? Charge.

MR. WARREN: Thank you, Mr. Chairman, and Members of the Board. For the multifamily area for this year our Business Plan is similar to my associates' and what Terri described. It really is a year of consolidation for us and to build infrastructure. As the Board knows, over the last several years we have basically added production at the rate of about 30 percent for the last three years and it has taken its toll on staff and such. So it is important that this year we keep in mind that we do want to position ourselves properly, not only for our own internal resources through systems and staffing, but also in anticipation of the bond. If the bond does pass there will be an impact on our particular area and we want to be ready for it. So with that let me show you some graphs about productivity for this year.

We did not make our goal this year from a dollar volume standpoint for a couple of reasons, and I think they are good reasons. In the past we have pushed projects through our pipeline in order to meet, primarily, CDLAC deadlines. We are concerned about competition. It is important that we meet these deadlines and sometimes they were not as ready as we would have liked. With the advent of
the third round and the second increase of the bond allocation cap ceiling we can now take more time to do our projects. So we will have a large number of projects for the third round of this year that are more fully developed, which we like.

But that is not to say that we were not productive. This graph indicates the number of actual widgets that we produced this year. It actually exceeded last year and we did it with less staff. So I am very proud of this particular slide because it shows that our staff did step up. We met the demand of our borrowers. The average size of the loans were just, quite simply, smaller this year. Another goal of the Agency is to do smaller projects with our pooled financing that other lenders may not take on. That is part of CHFA's role and, actually, we are very pleased to do that. So this is an indication that this year we have some of the smaller ones that we helped out versus some of the larger transactions.

Again, our standard mix. As the Board will recall, our goal is to our goal is to basically balance new construction with preservation and acquisition/rehabilitation. If you combine the blue and green wedges of the pie, which are acquisition, we have essentially done that this year with $83 million in new construction. Our special needs were at $11 million and I
will discuss our plans to try to increase that number in just
a moment.

Our focus for the year of new construction:
permanent take-out, lender, bond re-funding. This is
probably an appropriate time to respond to Mr. Czuker's
comment about prevailing wage. When the MHP program was
introduced, as the Board knows, that has a requirement to pay
prevailing wage in the project. That spawned our lender loan
program, and to a lesser degree, our bond re-funding program,
to try to pass-through lower cost construction money. This
is a modest way to mitigate the cost of increased labor.
Clearly, if prevailing wage goes forward on non-MHP projects
and the prevailing wage still exists for MHP then it will
have an impact. It depends on who you talk to. It could be
anywhere between 10 and 30 percent increased costs with an
adversely or disproportionate impact on rural projects.
We'll see. To that end we are revisiting our lender loan
program to try to lower the pass-through rate even more. It
may be in the neighborhood of 3 to 4 percent if we can pull
that off. We have to sit down with Ken in a room and twist
his arm for a couple of hours and we'll see what we can do.

But it is important that we address this issue.
Costs are increasing and rents are compressing throughout the
state and we have to find a way to deal with these gaps. To
that end we have been approached by some borrowers to
evaluate our role as a construction lender. As the Board may know, this Agency got its start being a construction lender in a Section 8 project, and that's really another area we will talk about later.

The Agency, with its credit capacity, could deliver lower than market rate for construction funds. It would require the building of an infrastructure within the Agency to do so, so it is not a task that we would undertake lightly. But I do want to bring it to the Board's attention.

We have been asked to look at this. Depending on how the bond goes and other matters in our development we may want to visit this issue, at least initially, in the MHP area. So we shall see how that goes. And I'll stop right now.

Mr. Czuker, would you like, maybe, some further comments on prevailing wage and how it impacts us?

MR. CZUKER: Wasn't there some talk about a cleanup bill and some clarification of when or how projects may get exempt, depending on how other funds are piggy-backed on top?

MR. WARREN: I may want to defer that back to Terri or to Tom.

MS. PARKER: Actually, Di is the person who is the most knowledgeable about where we are in the status of legislation so I would ask her.

CHAIRMAN WALLACE: Here comes the cleanup committee.
MS. RICHARDSON: I think I mentioned to you previously that last year when the Governor signed SB 975 there was an agreement that was reached that they would come back and do some kind of cleanup legislation to exempt below-market-rate loans. We have been working diligently to get that language into print. There has been some hesitation although everyone agrees that that was, in fact, the agreement. The Governor's Office has, you know -- I have explained to the Governor's Office, look, I can tell them they need to do this until the cows come home but you made the agreement, you really need to tell them that you expect them to meet the agreement. That has happened.

There is a possibility that there is language on my desk this morning, I'm hoping. There is a bill that is in the second house of the legislature, it's Acosta bill SB 972, which was--this is a technical term--it was gutted. It had nothing to do with prevailing wage before but it will probably be the vehicle. The nonprofit community was able to get some language into that bill to create some exemptions for some self-help housing and some emergency shelter repair, things that we were also asking for. The exemption for below-market-rate loans is supposed to go into that bill as well.

The bill had already passed out of Assembly Housing Committee. They were ready to take it up in Assembly
Appropriations when we asked them to hold up and wait for our language to be settled so it could be put in that bill because then it will simply have to come over to the Senate for concurrence. They may refer it to Policy Committee because the policy hadn't been heard in the Senate. But Senator Alarcon chairs that policy committee and he was part of the agreement that was reached with the Governor's Office so I am hoping that that will just sort of be a formality and very shortly we'll have some language in print that you all can take a look at and we will move pretty quickly.

MR. KLEIN: What do you think the language is apt to say?

MS. RICHARDSON: I think it will say something like, you know, that below-market-rate loans, the kind of below-market-rate loans that we do that are bond financed --

MR. KLEIN: Right.

MS. RICHARDSON: -- will not trigger prevailing wage as long as a certain percentage of the units are available for 80 percent or below.

MR. KLEIN: And what is the percentage?

MS. RICHARDSON: I think it's probably about 40. I have not seen the language come back from the trades folks. They could ask for that number to be higher. But I'm pretty comfortable that it will probably be around 40.

MR. KLEIN: And it is 40 if you have at least 40
percent at 80 percent?

MS. RICHARDSON: Right.

MR. KLEIN: I'm surprised that it did not require 40 percent at 60 percent or below.

MR. SHINE: It's not done yet. Is this 972 what is called the Costa/Alarcon bill?

MS. RICHARDSON: Yes, it is.

MR. SHINE: And it is just being re-written now?

MS. RICHARDSON: Right. There are some prevailing wage amendments that are currently in the bill. Again, that would be the exemption for sweat equity. You know, if the home owner performs a certain number of hours of work. Residential rehab is now going to be exempt.

MS. PARKER: We expect it will provide the clarification that our first mortgage program is not --

MS. RICHARDSON: Right. I'm talking about what's currently in there.

MS. PARKER: Okay.

MS. RICHARDSON: And the third thing that is currently in there has to do with rehab for homeless shelters and there is a dollar threshold that we are also trying to negotiate. The current threshold, I think, that's in there is $25,000. We thought that was a little low.

CHAIRMAN WALLACE: What a lot of hocus-pocus.

MR. KLEIN: It's beneficial that this is moving
forward. It is highly beneficial, obviously, as Mr. Czuker has pointed out. It would be great, if possible, at each of the next Board Meetings to get an update.

MS. RICHARDSON: Sure, no problem.

MS. OCHOA: Does it have urgency language in it?

MS. RICHARDSON: I believe it does.

MS. OCHOA: Okay.

CHAIRMAN WALLACE: Jeanne. Urgency language is both good and bad.

MS. RICHARDSON: Well, urgency, obviously, requires a two-thirds vote but if it is a consensus bill we are assuming that won't be a problem.

MS. PETERSON: I just wanted to point out that it still presents a problem for some of the things that CHFA does, and certainly for the nine percent tax credit program. Insofar as those who are familiar with how the nine percent program works know that soft money is generally not structured as a below-market-rate loan because it reduces by two-and-a-quarter times the amount of credit that one is eligible for. So there are other ways to structure those funds so that they don't look like a below-market-rate loan. So it is of great interest to the Treasurer as well and to the nine percent tax credit program.

MR. KLEIN: So the language that is proposed right now does not, by name specifically, exempt the tax credit
program, nine percent credits.

MS. RICHARDSON: That's correct. And I think that the main reason is because when the agreement was reached within the Governor's Office they specifically said below-market-rate loans. The trades people believe that tax credits are above and beyond the agreement that was reached and that will need to be negotiated separately. That probably won't happen before next year.

MR. KLEIN: Whoa. Whoa.

MS. PETERSON: We have a two-year exemption. We are in the middle of a two-year exemption period.

MR. KLEIN: Right, right, right, right.

MS. PETERSON: It's an unfortunate situation.

CHAIRMAN WALLACE: Thank you. Judy.

MS. NEVIS: I just wanted to clarify from the standpoint we have been at with regard to the housing bond and prospective cleanup. The multifamily housing program remains and will remain subject to prevailing wage. So what we have worked on with Department of Industrial Relations is to try to smooth the implementation of that and the clarification and those efforts are going very well. So to the degree we are partnering with CHFA on those loans that should be helpful.

MS. RICHARDSON: Right. And that is because the MHP program is specifically, by statute, subject to
prevailing wage. It wasn't just something that happened because of 975.

MR. KLEIN: So if it has a below-market-rate loan, even though it has four percent credits, it would be exempt under this language?

MS. RICHARDSON: Correct.

MR. CZUKER: If the new bill goes through.

MR. KLEIN: Right.

MS. NEVIS: Unless, of course, it has MHP funding in it.

MS. RICHARDSON: Right, right.

MS. PARKER: Then it won't.

MS. NEVIS: Then it won't.

MS. RICHARDSON: And, Mr. Klein, as soon as the language is agreed upon I will be happy to e-mail you a copy of it just so you can take a look at it, since I know this is pretty near and dear to your heart.

MR. KLEIN: Well, probably near and dear to all of our hearts here.

MS. RICHARDSON: Right, but I know --

MR. KLEIN: I would appreciate seeing the language.

MR. SHINE: As the mark-ups come down I would like to see them.

MR. CZUKER: I would like to see it too.

MS. RICHARDSON: Okay.
MS. PARKER: How many members would like Di to e-mail that to them?

MS. RICHARDSON: Does JoJo have everybody's e-mail.

MS. OJIMA: Just about.

MS. PARKER: We will send it to all the Board Members providing -- JoJo, you need to get everybody's e-mail and we will send it out to all of you.

CHAIRMAN WALLACE: How many still have pony express, not e-mail? You have most of them?

MS. OJIMA: I believe I have most of them. The ones who have given them to me.

CHAIRMAN WALLACE: If you haven't you better if you want it, otherwise it will be 60 days.

MS. OJIMA: At least.

MS. RICHARDSON: I'm expecting the bill, actually, to come up in appropriations next week. The nonprofit people are pretty anxious about moving their piece whether ours is closed or not. I don't know how long we are going to be able to, sort of, hold the door on them.

MR. KLEIN: Who has written the definition for below-market-rate loan?

MS. RICHARDSON: I don't know that there really is a definition that is included. Tom, do you recall seeing a definition?

MR. HUGHES: There is not a separate definition. I
think it's a general --

**MS. RICHARDSON:** You know, someone else has asked me that.

**MR. KLEIN:** It might be good if the definition was looked at in terms of taxable loans that are credit-enhanced so that the rate is lower. Because, obviously, a credit-enhanced taxable loan can create a below-market-rate loan.

**MS. RICHARDSON:** I think we were trying to not be overly specific so that we could try to --

**MR. KLEIN:** I see. I see.

**MS. RICHARDSON:** -- scoop up as many as we could.

**MR. HUGHES:** I think the approach is to cast the broadest possible net as we could.

**MS. RICHARDSON:** Right.

**CHAIRMAN WALLACE:** Okay, Linn. Thank you, Di.

**MR. WARREN:** The next area for our focus for this coming year is preservation. Probably the flagship loan product for the coming year in preservation will be the Section 202 loans from HUD. The Congress is very much interested in pushing forward with the refinancing of the 202s. HUD is actually being liberal, to a degree, on the interpretation of the language from the end of 2000 and there is also a lot of movement afoot now with new regulations for the syndication of projects.

So we have had a number of focus groups with the
industry around the state and the 202s and we have had very

good response from them. The main financing vehicle will be

refinancing with 501(c)(3) bonds. We may look at

syndications for those projects that require additional

equity but for right now the (c)(3) bonds will probably be

the greatest area. We will also look at the 236 portfolio.

We continue our efforts, our marketing efforts there. As we

build our staff and our marketing capacity we will outreach

and impact more of our borrowers.

The opportunity fund. That is a component that is

part of the bond and that is $45 million out of a $50 million

bill that would allow the Agency, under contract with HCD, to

supply short-term capital for acquisition of at-risk

properties. Those are both Section 8 and tax credit and such

with the idea of holding the project for a couple of years

and then arranging for permanent financing, either with CHFA

or with another source. So that is another area of

preservation we will be involved with.

A couple of boutique items that we are looking at.

Not so much Business Plan but ideas that we are being asked

to explore. Obviously, the expiring tax credit projects, the

Y-15 issues, are beginning to develop. We are in discussions

with numerous nonprofits, and actually for-profits, for

portfolio-wide acquisitions and restructurings.

Some investors have talked to us about the desire
to leave tax credit projects early, They, basically, achieved their investment horizons and the administration of the compliance is beginning to take a toll on them. So we have been asked to look at that. Clearly, the problem there is how do you bond or supply a surety for compliance for the remaining tax credit period. So this may be a new area for us to be involved with.

The final area of preservation: On some of these projects that retain their Section 8 contracts, the idea of refinancing them with low floaters or some sort of variable rate debt has some appeal, particularly if we wish not to use subordinate debt for rehabilitation. Our experience on many of our refinancings, particularly on Mark-Up-To-Markets, is the excess cash has generated a lot of money for rehabilitation through the primary loan. We are not a low floater lender, as the Board knows, but it might be worth our while to build some capacity in this area to at least have the financial models and the programmatic guidelines to pull off the shelf as necessary. Again, just something to look at.

MR. KLEIN: Linn.

MR. WARREN: Yes, Bob.

MR. KLEIN: In terms of focus, I would hope--and I am always marveling a the creativity of our staff-- that we could come back at a later meeting and tell us whether we
could use our credit rating to help the multifamily program, specifically to reach more projects that otherwise would become nine percent credit projects because the four percent credits are insufficient. By using our credit to do guaranteed pools.

A great deal of the market now is going into guaranteed pool tax credits. Since we have a very strong credit rating we can see that the guaranteed pools, the guarantors are taking an extremely high spread on the yield that is delivered, in some cases as high as 33 percent. If we could potentially see that the guarantors are getting, in their split with the syndicators, the majority of that spread we could end up with 20 to 25 percent more tax credits from the same projects on projects where we already have the first mortgage risk.

So on our projects where we are already underwriting them, we understand our product, we are taking the fundamental risk on the project that the insurance is dealing with because compliance risk with the oversight of our Agency should be able to be highly controlled. There is a potential here to, if we have 100 million of credit dollars going into our projects, to stretch those credit dollars and end up with 120 or $125 million. That extra 20 or 25 million dollars a year in credit proceeds could reach lower income groups within those same projects without additional money
from the general fund, without additional money from our reserves and, hopefully, pick up some of the excellent projects that are not able to be funded in the nine percent rounds.

But this is an area where they have huge spreads. Because the corporate sector is under-performing they don't have the need for as many tax losses as they used to have. A lot of the volume is now going into guaranteed product where they are arbitraging between their credit costs and the guaranteed yield. It is a play by the treasury departments of those corporations. It seems there might be an opportunity there. We have to look at our legislative authority. But I know that our staff is very creative.

MR. WARREN: We would be happy to look at it. It is somewhat of an issue in the industry today. The compression of payments for four percents is, if you can get it, in some situations is an issue. But yes, Mr. Klein, we would be happy to look at that and see how it would fit in with CHFA and how it fits in with, obviously, an involvement with not only the debt piece but also the equity piece. What is the risk to us in that environment. So yes, we would be happy to look at that.

MR. KLEIN: Thank you.

MR. WARREN: Our next area is special needs.

Again, this is a program that has a lot of demand. When we
get into capacity and infrastructure I will talk about some of the measures we are trying to take to increase our productivity. But given the nature of these loans, and as we have for the last year, we are focusing, really, on lender loans to supply low-cost capital, sometimes as low as one percent, for construction, and shorter term loans to recycle some of our subsidy dollars. And that particular model seems to work well, although at the next two Boards you all will see some projects that are returning back some longer term 30 year debt. So it is a mix of both but we do want to promote this program.

Urban infill: Again, an area that I think is important. With kind of a retraction in some urban areas of some of the developments, San Jose is a good example, we are looking at these projects with a little more scrutiny than we have in the past. We are probably going to require a little bit higher debt coverage ratios. We think we need to require a minimum of 40 percent affordability on these projects, this from a public purpose standpoint. But clearly infill projects are critical. The Agency has a role to play with our financing so we need to go -- Yes, Mr. Czuker.

MR. CZUKER: Forty percent affordability. Do you have any ideas at what levels of affordability?

MR. WARREN: I think we would look at 20 percent. At minimum it would be 20 percent at 50, 20 percent at 60.
The second 20 percent could be higher depending upon the market but I think we want -- Or 30 percent at 50 might be an example. I think we want to start with that from a public policy standpoint and see how well the projects can be financed.

MR. CZUKER: And the remaining 60 percent, is that market rates?

MR. WARREN: At market, that's correct. That's at market.

MR. CZUKER: What about mixed-use?

MR. WARREN: That is on a case by case basis. We have done a number of mixed use. The question from an underwriting standpoint is to what extent can the commercial space support the debt and what is our tolerance for that. There are limitations under bond law about funds that can be spent for commercial development. But if it is a credit tenant and we are comfortable with it I think we need to look to commercial for debt support as a way to help the project.

MR. CZUKER: Thank you.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Okay.

MR. WARREN: Go on? The last couple of areas: We want to reintroduce FHA Risk Share insurance for as many projects as we think is practical. This is not really a risk issue for us but the introduction of risk share on our loans
allows our capital reserves to be reduced by a fair amount
and that reduction of reserves helps us spend it in other
programs. We have met with HUD, I think we have ironed out
our differences with them and we want to proceed with that.
So we are looking at 200 to $225 million this year, I'll show
you production in just a moment, and that's about 30 projects
on an origination standpoint.

Special lending: This is an area that is growing
with some degree. I have a small typo here. That's $20
million per year or $10 million per round; I apologize for
that. HELP is very successful, continues to be. This year
we have tightened up our selection criteria somewhat. We
have a three-to-one demand for the most current round that is
being considered so we are being a little bit tougher on the
ones that we pick. We have explained this to the localities,
they are all very comfortable with that. And if a project is
rejected from this round our experience has been that it
comes back better the second round and the third round. It's
an iterative learning process for all of us so we'll continue
with that.

The next area: Since there is an over-subscription
for HELP We felt it was appropriate to come up with a program
that would complement HELP on an on-demand basis and that is
where the tax increment lending came from. Many localities
are not quite sure what to do with their tax increment. We
feel it is an appropriate program to try to lend against that, up to a ten year term, maybe as short as three years, depending on what the locality wants. But in this particular case we would borrow money, bond funds or Agency reserves on its own, and go through a tax increment due diligence. In other words, as the comment was made earlier about the producers -- you don't have 400 percent of the tax increment already sold, we would like to settle for at least 200 percent. So we will go forward with that. I think if we apply the same criteria that we used for HELP and be consistent with the selection criteria then we can make this a demand-based program. If you fall out of HELP you can go to Increment if you have got the increment to pledge and we can help you out that way. Yes.

MR. CZUKER: If a municipality or a project participates in some of the special lending programs are they also required to come back for the permanent loan?

MR. WARREN: No, they are not. No, they are not. And I think we have made that very clear. We certainly encourage it but in these two programs, Ed, I think it is important that they have the flexibility to go where they want. Particularly for those localities that wish to issue their own bonds and may have their own credit facilities that they want to use. So I think it's appropriate.

MR. CZUKER: And how is this tax increment lending
program going three to ten years? What is it they are exactly borrowing the increment to accomplish?

MR. WARREN: The increment might be project-specific, for example. Let's say there's a gap financing that they want to supply.

MR. KLEIN: Right.

MR. WARREN: They would come to us and say, we want to pledge our increment for ten years. That would yield with some cap rate, we'll pick a number, X number of dollars. And then that money would go into the project, what we would loan to them. Our money would then be repaid by the income stream from the tax increment over that ten year period.

MR. CZUKER: Would this trigger prevailing wage?

MR. WARREN: It's one of the areas. We are looking at that and a number of other issues.

MR. KLEIN: If the project comes under this particular exemption the project, even though it gets a multitude of different assistance from local government, would theoretically be exempt?

MR. CZUKER: Not the way the bill is currently written.

MR. KLEIN: I have not seen the way it is written. But the way the bill is currently written, what you are saying is that, if you get --

MR. CZUKER: Certain funds, even if they are small
in nature relative to the total project, will taint the entire project.

MR. WARREN: In this case --

MR. KLEIN: Other than federal?

MR. CZUKER: Other than federal.

MR. WARREN: The loan agreement would be between us and the locality. If the trace-through does trigger prevailing wage then we would have to deal with that. Under HELP today it does not trigger prevailing wage in and of itself. We are trying to model this along those lines. If we raise bond funds that may trigger something. It is potentially an issue.

MR. KLEIN: What I would like to do is when we get the e-mail about the language if someone could comment in a narrative form about Mr. Czuker's point. What would still trigger you to be within prevailing wage even though you have the exemption in the proposed statute. It would be very helpful to understand that.

MS. PETERSON: Bob, I think that, and I may be wrong, but that what Mr. Czuker was talking about is the law as it stands today. And the law as it stands today, AB 975, implemented a host of prevailing wage requirements for projects to which prevailing wages apply that are not just federal funds. Redevelopment funds and so on. So it really doesn't have to do with proposed amendments, it has to do
with the way the law stands right now.

MR. WARREN: Okay.

MS. PARKER: Let me add one bit of information because I don't want you to be disappointed if you don't feel staff can fully do, perhaps, what you have asked. We have been reluctant, as well as HCD has, to give anybody a laundry list of what is impacted by prevailing wage and is not. And Judy and I can both stand here arm and arm with this. And what we essentially say is because it's really up to how the DIR through its interpretive letters comes down, we essentially think -- we have played a role where we essentially give guidance to our borrowers that it's something that they need to take into consideration and work with their tax attorneys or work with DIR.

People would like to have some certainty and that's the big problem that's happened around 975. It really created a world of uncertainties and people would like to have a cleanup legislation to clarify that. But we have tried not to be in the situation of saying what is and what isn't. Because at the end of the day if we did, DIR found something different and it's really their purview, we could have liability associated with that.

MR. KLEIN: If this is going just to Board Members we can condition it heavily and say, it appears, subject to DIR, that this would be exempt. Because we have to get at
least the concept. It's not for publication.

MS. PARKER: It would be -- It would be a --

CHAIRMAN WALLACE: We don't --

MS. PARKER: It would be public record available.

MR. HUGHES: The document --

CHAIRMAN WALLACE: Staff does not want us to rely on their interpretation of this and that's fair.

MR. KLEIN: I understand. But we have to have some source of information to understand. We could also have staff say, there's Position A and there's Position B. But we need to get some concept here of what the various interpretations might be on some of this.

CHAIRMAN WALLACE: I'm afraid, Tom, before this goes out you better put a big, fat caveat, even on our e-mails. And tell us, for final dispensation it is going to come out of DIR or something like that.

MR. KLEIN: That's fine, because we all know that DIR can act independently of the Legislature and sometimes in unpredictable ways. So we can put a major disclaimer on it, which would be very healthy. But what I'm suggesting is, we really need to be able to evaluate reasonably how this is going. My most recent understanding related to increment, which is where this issue came up, was that if under the existing exemption of 975 that if it is increment in a local jurisdiction without a statute requiring prevailing wage
where you use increment, that the increment itself would not obviate the exemption. Is that the current understanding?

MR. WARREN: Yes. I guess -- I appreciate Terri's comments on this. We have left many of these determinations up to the locality and say, the ultimate project is going to be your determination as to whether there is an impact and I think we have a general sense as to what it is. What we have done to date is take the Legislative analysis, independent analysis of the impact of the various litigations, and I think we are waiting to see what the long-term impact is going to be. So I think I agree with Terri. It may be a little bit premature to comment on project-specific as we work our way through it.

MR. KLEIN: But with the current exemption. I need to understand under the current exemption. Forget the new bill.

MS. RICHARDSON: The current exemption is, any project that is financed using 100 percent tax increment is not subject to prevailing wage. There are no such projects so that exemption is absolutely meaningless.

MR. KLEIN: No, I am talking about, if you have an exemption because of tax exempt bonds or tax credits under 975, the fact that the project also receives tax increment --

MS. RICHARDSON: That's correct.

MR. KLEIN: -- does not eliminate the exemption.
MS. RICHARDSON: Anything that currently has bond or --

MR. KLEIN: Tax credits.

MS. RICHARDSON: Tax credits. Thank you, I almost said tax increment. Has a two-year grace period.

MR. KLEIN: Even though --

MS. PETERSON: But for those projects that would have been subject to prevailing wage prior to the passage of 975.

MS. RICHARDSON: Right.

MR. KLEIN: That's right.

MS. PETERSON: And that is an important but for.

MS. PARKER: Like MHP.

MS. PETERSON: Or HOME or CDBG.

MR. KLEIN: Right, no, I understand.

MR. CZUKER: That two years is expiring very shortly.

MS. RICHARDSON: Next year.

MR. CZUKER: That's a short-term exemption.

MR. KLEIN: Next year, I understand that. As to the existing law, which is what I am trying to track us to, tax increment for a project that has a federal tax credit or a tax exempt bond exemption, increment itself, unless the locality has a prevailing wage law, would not make it into a prevailing wage project.
MR. CZUKER: There's all sorts of nuances and we would probably need legal interpretations. Such as, sometimes just being — If the issuer is a redevelopment agency that may trigger prevailing wage. Such as, whether the city or the local municipality is a charter or a non-charter city may also trigger or not trigger prevailing wage. The use of HCD or MHP or other forms of small subsidies of one kind, local or state, could also then taint the entire project.

MR. KLEIN: Well --

MS. PARKER: You know, again, I think what we have been asked for, Julie and I have been asked for this many, many times. People would love if we would put a list together of what is and what isn't. We haven't done that because we can't think of every possible scenario so we have essentially said to the sponsors, our best recommendation to you is that you seek your own legal advice as you would do for other tax policy issues that you have.

MR. HUGHES: There is an additional reason too, I would simply add, that has contributed to some of our reluctance in this area in that CHFA has specific prevailing wage requirements and exemptions. It is generally not our financing that triggers any of this, it is other contributions or financing from other localities. So we are potentially put in the situation of opining on something that
is not in any way triggered by anything we do, which is a difficult position to be put in.

MR. KLEIN: Well, the issue here is not -- We don't want opinions that we can rely on because it would be inappropriate, as you point out, to provide opinions to hypothetical cases or things that we are not doing. But we need to understand the basic thinking with a caveat that could be half a page. We just need to understand this list because when we get this wording we need to look at the wording in the context of what this means.

Because as we all recognize, these affordable housing projects are a mosaic of programs. The ability to work within that mosaic is very important to deliver the kinds of multifamily product that CHFA has been so good in performing on. So we can't have anything definitive and it is very healthy of the Chairman to point out that we need to have a major caveat in anything that we circulate, even internally, and we all now have been well advised of the conditional nature of anything that we receive. But it is helpful to have some discussion of what the thinking might be.

CHAIRMAN WALLACE: To the degree, Bob, we have the expertise in house to do so I would say, fine, as long as there is a caveat that we are not the final arbiter. Beyond that you are going to have to go out on your own. Like Ed
apparently has done. We are all going to have to get our own
counsel to opine upon in and it is a moving target.

MR. KLEIN: Right.

MR. WARREN: Yes.

MR. HUGHES: I would point out that there is,

obviously, a distinction between CHFA issuing opinions,
whether they be formal, informal or whatever. Formal
opinions on these areas -- And I can chat informally. I am
available at any time if you want to give me a call and you
want to just talk through some of these issues.

MR. KLEIN: Yes.

CHAIRMAN WALLACE: I like that.

MR. KLEIN: I certainly don't want you to issue any

opinions.

MR. HUGHES: We are in a very real position of
people relying on what they perceive to be our advice to them
even if it is not. And it's something that we really want to
stay away from.

CHAIRMAN WALLACE: I need to move the agenda. We
are at high noon. I think we have a general understanding.
Do what you can.

MR. WARREN: Sure.

CHAIRMAN WALLACE: But be careful.

MR. WARREN: Okay.

CHAIRMAN WALLACE: Okay, Linn.
MR. WARREN: Finishing up we'll pick it up here a little bit.

CHAIRMAN WALLACE: Good.

MR. WARREN: The Small Business Program, as we have discussed before, what we are looking at here is talking to localities and have them vet for us developers to do small infill projects. This is going to take a fair amount of development. What kind of loan products would we offer, what kind of criteria do we set out with the localities, how do we fund these things. But in our discussions with local government they think it is appropriate that CHFA be a funding source for small infill projects of 20 to 50 units that might otherwise not get done. We would want to use the locality as a way to develop the sponsors in this area.

The last area is also a new area. We are looking at there has been some movement afoot recently about making capital advances, bonded against capital advances from HUD for housing authorities. We have talked with our investment bankers on this, we talked to a couple of PHAs. And to the extent CHFA can help in this particular area then I think we will pursue this. Most notably, the model we would probably follow is the one that was done with the Chicago Housing Authority recently. We are targeting the mid-level housing authorities in this area and we would, obviously, do the bonds very conservatively. But again, we feel this is a good
locality need.

CHAIRMAN WALLACE: Kathy.

MR. CZUKER: Will we still do large loans?

CHAIRMAN WALLACE: Excuse me, Ed.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Kathy.

MS. SANDOVAL: Yes. I just wanted to commend the staff for their creativity in this Small Business Program. I know that I have heard from both a number of small cities, as well as small developers, about how difficult it is to get financing for these urban infill projects. But they are so critical, especially for low and moderate income people. I think it is also very consistent with the Governor's Executive Order to try to increase contracting to small business. I wanted to really commend you for this program and we look forward to seeing it being developed. I think it can be of great assistance.

CHAIRMAN WALLACE: Ed.

MR. WARREN: The larger PHAs? Yes. Actually, we have talked to San Francisco, for example, and they are interested. Our original assumption was they have their own capacity to raise bonds on this, but if we bring certain efficiencies to the market we are happy to talk to them.

MR. CZUKER: You have lots of new programs targeting small business and small loans. Is CHFA going to
continue to focus or do some of the larger projects as well?

MR. WARREN: As they come along we will do them. As you know, we have no lending maximum and if they are available and it works for our program we will pursue them.

MR. KLEIN: The San Jose loan that was $70 million, I believe.

MR. WARREN: Yes.

MR. KLEIN: That was not this fiscal year, that was last fiscal year?

MR. WARREN: The last fiscal year.

MR. KLEIN: If we adjust for that one loan, if that were added to this year versus last year, we would have made our goal.

MR. WARREN: Yes, that's true.

MR. KLEIN: So really, in numbers -- Your point earlier was, with the same number of loans you made this year, but for the size of one loan, you would have, in fact, made your goal.

MR. WARREN: That's correct.

MR. WARREN: All right.

MS. NEVIS: So that's technically not, for a really good reason. A really good reason.

MR. WARREN: Well, I think it's an interesting point. We have talked that one of the things we ought to really measure our productivity on are projects with more
units. Actually the building units reserve is probably a more true measure that we should probably follow.

This chart here represents, basically, the special lending, in the yellow bars, with and without bond, the bond in the red. Clearly, if the bond passes and there is a lot of demand, particularly in the area of HCD’s MHP program, which I think we are very well linked to, the numbers could increase. We don't know. But this is -- We're staffing size for the first couple of years for these numbers. By this time next year we might be in a totally different position depending on some of our projects. So there is an incremental increase. My sense is if the bond passes there will be lots of other lenders entering the market, or at least ramping up their efforts, to compete. We will have to, obviously, compete with them with our products. So we do think an incremental increase is appropriate with the bond going. And as we build capacity we can increase our own capacity.

Very quickly on the infrastructure. As we have talked about before, we are going to grow staff. Continue to recruit. We will use outside loan originators for project-specific to leverage our own resources. We think this will work very well in the HUD 202 program. Special needs we have not been successful to date. We are going to try very hard to partner with some outside organizations to underwrite for
us in special needs so we can get more of the projects in front of you and we will keep working on that area.

FHA insurance: We have been asked to look at a number of large, quite frankly, distressed older insured projects that may require 100 percent FHA insurance to lay off some of our risk so me may have to out-source some of that particular underwriting. If the opportunity fund comes to fruition from the bond, depending on our capacity, we may out-source a piece of that as well. But again, that's a plan we are developing. We are doing some nice off-the-shelf underwriting guidelines. Not so much from a DUS standpoint but at least from a CHFA standpoint that we can use to be most appropriate.

The last item is an underwriting system. This is very important to us that we adopt what we think is some very good software that is out there, web-enabled, ASP. Basically what that means is it's resident someplace else besides our own house. There is an industry standard that is developing for commercial mortgages which we wish to be a part of. And I think as we move loans back and forth and originate loans and communicate with borrowers these standards have to be incorporated and these new underwriting systems follow those standards that are being promulgated by the Mortgage Bankers Association. So we think it is very important that we pursue that this year.
What I want to finish up with today is a comment to the Board about where we are at on our Section 8 portfolio. We have discussed this over the last few Board Meetings and I will tell you what our plan is today and for the rest of the year. We have about 150 Section 8 loans in the portfolio today and it is about 8,000 units and they are all basically at mid-life. They originated approximately 20 years ago. Many of the owners wish out. They have had their investments and it is time for them to move on and we wish to recapitalize them and to bring in new owners.

Our program goals are to preserve and extend through a 50 year regulatory agreement. We want to recapitalize these things and have strong reserves, even past when our 30 year debt is paid off. There will be an economic impact to the Agency, could be. We want to see what that is going to be and quantify it. And we want to transfer these to motivated owners. We feel we are going to have to set out some criteria for the buyers so that they will maintain the property for a long-term basis.

Real quick, the project types: You know we have mismatches in which the contracts have already expired with some time left to go on the loans and the others have 30 or 40 year contracts that are matched to the loans. We are going to be fairly aggressive in the mismatch financing because those are the most at-risk today. The A/B structure
refers to lending against the Section 8 plus a 30 year term at 50 and 60 percent of median income. We do have funds in the areas of FAF and surplus which we think we could direct towards some of these projects to help with subordinate debt, to help with rehabilitation or for the transfers of the sales.

The 30 and 40 year loans, very similar: We will do A/B loans or B loans for 10 or 20 years, depending upon what is left in the Section 8 contract, 50 years with large reserves to try to ensure the property stays in one piece over a long period of time. And if we lose yield to a degree to ensure long-term affordability I think that is something that we want to look at as a viable option.

MR. KLEIN: Is HUD facilitating your access to FAF and surplus funds?

MR. WARREN: With what we are planning I think that would be acceptable. We have had preliminary discussions with HUD and we think, and our legal folks, and we believe we can use the funds for help in these projects. So the monies that we have are ours to essentially lend as appropriate.

MR. KLEIN: Is that money HUD central office set-asides or is that --

MR. WARREN: No, the FAF money is ours. It's money we have earned under McKinney Act savings, for example.

MR. KLEIN: I see.
MR. WARREN: And we are obligated to spend it. 
There are certain restrictions. We just need to find ways to 
go spend the money. The surplus is a little more 
problematic.

MR. CZUKER: Are these portfolios somewhat 
geographically dispersed?

MR. WARREN: They really are, Mr. Czuker. They are 
really throughout the state with the normal concentrations. 
I think probably two-thirds in Southern California, one-third 
in the north. Large concentration in LA.

Project components: We do want to take a measured 
stance on this. What we are going to do is engage a third 
party to evaluate the refinancing program, the financial 
impact, programmatic issues. Continue our discussions with 
the owners, get their feedback, and with buyers as to what 
their expectations are; and to try to have the study and the 
financial impact done. Basically by the end of this year is 
our target, six to nine months.

It may seem like a long time but it is a large 
piece of our portfolio. The decision we make today, 
obviously, will impact the portfolio for the next 30 to 50 
years. Most owners are comfortable waiting until we finish 
with these guidelines. We don't want to be rushed into a 
series of refinancings that will set a precedent. We think 
that's dangerous. We do want to take our time in the study
and do it right and we will give the Board updates and we
proceed. Yes, Ms. Sandoval.

MS. SANDOVAL: I just wanted clarification that the
Business Plan will be flexible enough to accommodate the
recommendations that will come out of the study.

MR. WARREN: I think it will, Ms. Sandoval. I
think that if we adopt programmatic guidelines sometime early
next year, for example, it will probably be an incorporation
in the 2003/2004 Plan. And that's where the lending volumes,
I think, will hit. The Business Plan today does have the
money for the study, for example, so we do have money there.
But I think if you are talking about a wholesale refinancing
program hitting the street, it's sometime next year.

MS. PETERSON: Linn.

MR. WARREN: Yes, Jeanne.

MS. PETERSON: I wanted to ask whether or not your
study you think will involve an assessment of the risk of
opting out of different deals. Because as you know, Section
8 portfolios under preservation have been the subject of a
lot of housing finance agencies around the country's
different programs. Using FAF funds, I might add. I mean,
this is not a new thing over the past several years. But the
question of what incentives to offer and whether or not one
should offer better incentives for deals that are very likely
to opt out, as opposed to those for whom the Section 8 deal
is the best deal they will ever see and so will never opt out, is one that I think is difficult but probably a path that bears going down.

MR. WARREN: I think that's right, Ms. Peterson. For example, the mismatches are clearly at risk and our leverage to retain those products is limited compared to the 30 and 40 year contracts that truly prohibit any kind of prepayment. That is going to require a different and more aggressive financing program for the 30 and 40 years. Short answer is, yes, I think each level of risk or opt-out risk will equate into a different type of financing program. It could very well.

MS. PETERSON: Are you going to be underwriting to Section 8 rents? Did I hear you say that?

MR. WARREN: For the B pieces that is our plan and use FHA insurance to cover our risk with a transition reserve. That is the plan today. The study needs to look at that and see if we are not, quite frankly, all wet in that area. I don't think we are but we need to take a look at it.

CHAIRMAN WALLACE: Let me see your shoes. As far as I'm concerned we have had the presentation on the Business Plan. Are there any further questions on the Business Plan?

Ed.

MR. CZUKER: I move approval.

MR. KLEIN: Second.
CHAIRMAN WALLACE: I accept your motion and your second, Czuker and Klein. Are there any questions on the motion to adopt the Business Plan as presented?

MS. PARKER: Mr. Chairman, can I just say one thing. I know you are on a roll but I --

CHAIRMAN WALLACE: I am?

MS. PARKER: Sure.

CHAIRMAN WALLACE: I'm trying to get there.

MS. PARKER: I know. But I just want to make one comment. I just want to make sure that -- There's several concepts that we have introduced in the Business Plan today, particularly on Linn's side. I just want to make sure that you aware that as we -- some production kinds of concepts for the Section 8 -- that we will continue to be working with and bringing these ideas back to the Board as they are further developed. So just because there's a line down here it's more -- Linn always likes to raise concepts with you that the markets are talking about. But as they bring to fruition we will be talking with you about them further. So I just want to make sure that nobody thinks that, you know.

CHAIRMAN WALLACE: This is not the final resting place.

MS. PETERSON: Very briefly.

CHAIRMAN WALLACE: Jeanne.

MS. PETERSON: I just wanted to say that I have
discussed the Business Plan with the Treasurer who has particular interest in seeing the special needs volume increased, as you have talked about doing, and so that's an exciting thing. And the infill as well. That also we raised the question about the Section 236 portfolio that the Board approved purchasing last year in hopes that -- because that didn't play a very prominent role in this year's Business Plan, although it is mentioned in the mission of multifamily. We would hope that some of the reasons that we authorized the purchase of those loans will come to fruition in terms of being able to negotiate with the owners for longer term affordability.

Lastly, we would, at least, like to take a look at whether or not the HELP program in the multifamily area could be increased. I guess it was a misnomer to say that it was $20 million per round when it is really $20 million per year but, you know, maybe it would be a good idea for it to be $20 million per round since, I believe, it's funded from the HAT program and those monies in effect are recycled and come back. It's a really worthwhile partnership with localities.

CHAIRMAN WALLACE: Good, thank you, Jeanne. With that, any other questions on the motion? Hearing and seeing none, secretary, call the roll.

MR. HUGHES: Although, Mr. Chairman, I don't think there's any members of the public we just have to make sure
that you solicited such comment.

CHAIRMAN WALLACE: Any members of the public that want to get their oar in?

MR. LaVERGNE (FROM THE AUDIENCE): We all think it's a great plan. (Laughter).

MS. PETERSON: On behalf of the public?

CHAIRMAN WALLACE: I love you --

MS. PARKER: I think the only person from the public here is our bond counsel.

CHAIRMAN WALLACE: Yes?

MR. WARREN: And they are all on our payroll, too.

CHAIRMAN WALLACE: Thank you. Secretary, call the roll before anybody else has an idea.

MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: Resolution 02-12 has been approved.
CHAIRMAN WALLACE: Resolution 02-12 is hereby approved. I had asked Ken to do a little explanation of his report and I'm going to ask you not to now. Sorry to jerk you around but that was predicated --
MR. CARLSON: I'll fit that into my schedule.
CHAIRMAN WALLACE: And I think you can do that in June. There's some things in there about swaps and so on, and with new members, I commend to your reading his report. But a lot of it is going to be Greek to you if you aren't used to it. And like Bob said earlier, some of us old guard need a refresher course on it. I hope we can do that in June. Also, I understood that Dom and Dawn were available to do a teacher home loan resource site presentation but that can probably be deferred to June also.
MR. KLEIN: Mr. Chairman, I would like to say I read that report and it shows we really have an excellent strategy that has diversified our risk and really hedged it quite well. It is --
CHAIRMAN WALLACE: That's the Carlson report.

MR. KLEIN: The Carlson report. And it is important, I think, for us all to realize that it is highly unusual to have this well developed hedging strategy among housing finance agencies.

CHAIRMAN WALLACE: It's terrific what they have done, and we have had some presentations from sources that impact his report. But I think a periodic refresher is a good idea.

MR. KLEIN: Right.

CHAIRMAN WALLACE: Rather than just a written report. So I am hoping to have that in June. And the same with, Dom, you and Dawn. Having said that, we need to get into the budget. So, Jackie, your turn.

RESOLUTION 02-13

MS. RILEY: Mr. Chairman, Board Members. As you have heard, the common theme throughout a lot of the Business Plan is infrastructure. We are increasing our budget by a total of 17.1 percent. We are requesting to add 22 positions, which is a 10 percent increase in our number of positions in the Agency. We did this knowing that state government is facing a huge budget crunch and everybody else is subject to cutbacks and such but we thought it was necessary to continue the level of activity that we are doing and also to build our capacity for continued growth.
As Linn had mentioned, his staff accomplished what they accomplished but over time it takes a toll on staff to be working at those kinds of levels. Production goals are up. Our infrastructure really hasn't exactly kept pace. That is very true somewhat on the lending side but especially on the operations side. So 14 of the 22 positions that are added are on the operations side. Six of those actually are under my purview and some of those are in personnel, some are in IT.

We are adding new systems for document management. We are starting to undertake a very large document imaging system. We are trying to get all of our systems in order and also trying to keep pace with what is going on on the production side. And being able to actually go out and recruit, hopefully, some very good candidates. On the operations side we may be able to absorb some folks from the other side of state government where there will be cutbacks and all of that on our general classifications.

We have increased our line items for space. As we mentioned before, we are out of space in the Senator even though we renegotiated the lease last year. They have provided some means for us increasing our space in that building, and they love us there and they would like to keep us there, what has happened is some of the units are growing so large, like home ownership or Bruce's, the comptroller's
fiscal services, it gets where you are dividing them up in
little tiny groups where it doesn't work so well anymore. So
we are actively pursuing space for the first time in 17 years
outside of that building. So there are the resources in here
for the space.

Also, equipment is doubled this year, our equipment
line item, because we need to buy desks and complements of
furniture, computers and all that for new positions.
Obviously, the facility line item has gone up to reflect
increases in our own rent in the Senator and also to provide
the additional off-site space. And lastly, as you heard
Nancy talk about and Linn somewhat too, our contracting line
item is going up for the resources they need for studies to
get some other things accomplished and on the operations side
of things to do some of our systems kind of stuff. Our
infrastructure, as I mentioned. Inventory control and some
other things that we are actively pursuing.

Some of the contracting is a one-time only cost.
That should be reduced next year again when we get these
systems in place. We are hopeful in the next eight to nine
months to really increase our capacity to get more staff in
place so that those of us who have been doing some heavy
lifting for awhile can sort of just work at a normal pace.
Also, I think too, that it is important to do, going forward,
looking at doing some transfer of knowledge to other
individuals. Thinking about some secession planning. Who is going to succeed some of us who may not be around for the next ten years or whatever. So with that, we have knowingly increased the budget and hope that you will approve it.

CHAIRMAN WALLACE: You have also factored in the factor of if the bond passes.

MS. RILEY: Thank you, Mr. Chairman. There actually are not any positions added into this particular budget that have anything to do with the bond. We did not want to put that in at this moment in time to see if the bond actually passes. It is anticipated that if the bond passes we would probably be back around the first of the year to request a few additional positions. That's more likely on the home ownership side because those programs, because they are something that we have done before, we can get those up and running very quickly.

We also know on the accounting side at some point that will hit accounting. It may not hit in this next fiscal year, it may be the year after when they actually need some staff to do that. In insurance there may be a need for a position or so in insurance. In this upcoming fiscal year those programs may hit. But the big impact as far as the personnel resources will be actually next fiscal year, not the one upcoming.

MR. KLEIN: Mr. Chairman, and maybe the Director
could comment because we have a predictable and immediate
need this summer to expand communications, media information
type expenditures. Maybe we are going to do it by contract.

MS. RILEY: Those dollars are in here.

MR. KLEIN: Okay.

MS. RILEY: There is an additional position in marketing. There is also an additional $250,000 for our branding campaign and other marketing activities.

MR. KLEIN: And is there enough discretion for the Director and the staff so that if they see a greater communication need this summer for the bond campaign as a foundation of information the public will need, to have some flexibility to do some additional things?

MS. PARKER: We would come back and talk with you about that. But yes, we do have flexibility that we can do that. I think a good example of that, Mr. Klein, is, obviously, the discussion that we were having with the Treasurer who, would frankly, like to have someone pretty much dedicated to do marketing activities around the teachers program. So I think we are looking at that as part of developing a program.

I think we recognized that these are big numbers.

Dick and I are former Department of Finance people. We recognize that these are big numbers but on the other hand what we have done is really not increased our budget the last
several years when we have been seeing those huge increases
in production. We have now gotten to the point of saying, if
we really want to do the kinds of things that you all have
been talking about wanting us to do we have just got to bite
the bullet and get the infrastructure set up. And if we do
it this year, particularly if the bond is being considered,
it essentially sets us up for a bond passing. Being able to
move forward productively.

MR. KLEIN: Right.

MS. PARKER: There is one other thing that I want
to let the Board know that I am continuing to work on,
continuing to see this as something to help accomplish that I
see as my own personal challenge and part of my work as the
Executive Director, and hopefully as part of my legacy at
some point in time. That we need to deal with the issue of
our salary structures and our compensation.

With that, when we met with the Treasurer the other
night I asked the Treasurer if he would be willing, since
some of his own boards and commissions have problems with
recruiting and retaining staff because of salaries in areas
that are very similar to what ours are, and that's tax credit
and bond cap, where they really area paid by fees but their
salaries are set as state employees by DPA. In that sense,
even though the community wants to pay for the services there
is not, we can't hire anybody because their compensation is
not enough.

Anyway, we talked to the Treasurer about being willing to put together a project we could work on of taking together in tandem some kind of a request for classifications that may take into consideration this unique work, the comparability to salaries of the private sector as opposed to the public sector, and hopefully be able to move forward on this issue. We think we have some good data because of our own recruitment activities. I'm sure that given the experience that Jeanne and Laurie have in CDLAC and TCAC of their loss of staff, that could be added, and hopefully, in that sense, build some momentum on this issue.

MR. KLEIN: I, as you know, have been an advocate for making certain that with the additional responsibility we have and the growing sophistication of these programs that those classifications be developed. If we are going to retain and build the best staff to really serve the public you are going to have more comparable salaries, which we clearly don't have now.

I actually believe that there is very strong legislative history that you should have the ability to actually determine those salaries outside of the DPA structure. Perhaps late this fall some of that legislative history could be presented to the Attorney General for him to review decisions that may have been made without the benefit
of that history. But unless we aggressively seek compensation for our staff it is going to be very hard to maintain the high level of quality we have in this Agency.

MS. NEVIS: I would just like to add that currently there is a moratorium on any type of classification study with regard to DPA. So anything you can do --

MS. RILEY: Actually, Judy, they are willing to entertain something from us since we do have an exemption from the freeze.

MS. NEVIS: Oh, really?

MS. RILEY: Yes.

MS. NEVIS: Well, good. Excellent.

MS. RILEY: So we have our foot in the door and we are keeping it open.

CHAIRMAN WALLACE: Was the Treasurer receptive, Terri?

MS. PARKER: Jeanne was in the meeting. I'll let Jeanne represent her boss.

MS. PETERSON: Yes.

CHAIRMAN WALLACE: Yes, you are willing to represent your boss?

MS. PETERSON: Yes, the Treasurer was receptive.

CHAIRMAN WALLACE: Ah.

MS. PETERSON: And I am willing to represent my boss.
CHAIRMAN WALLACE: Okay.

MS. PETERSON: Yes. It's a common problem amongst us at the Treasurer's Office, particularly at the CDLAC and the TCAC committees. We are in a tougher situation. I am happy that we can look at a budget that provides for so many new positions because we are indeed, although we take no money from the government, currently under a hiring freeze. And I also have a very overworked staff and so on. So it is nice that at least CHFA has that exemption.

CHAIRMAN WALLACE: Well, I think it is time. We have held our breath and we have pushed, pushed, pushed for a number of years and I think it's high time we take advantage of the current situation and do play catch up for all the reasons you have said and others have mentioned. So I strongly urge that we adopt this.

MS. PARKER: We want you to know that is based on a set of assumptions and we will be coming back if the bond passes and as we move through and look at our work on CaHLIF. That is an unknown at this point in time. So I just want to reserve the caveat that we are not done yet.

CHAIRMAN WALLACE: We are a long ways from done but it will sure make the -- I told Nancy again this morning, I want her to turn over every rock and look at that and come back with a better mousetrap. Or maybe there's a better term. But still, I think this is timely, appropriate. We
haven't really had a wholesale increase in the areas like you're suggesting for a long time. So I strongly urge its adoption. Having said that, trying to capture momentum.

MR. KLEIN: Would you like a motion?
CHAIRMAN WALLACE: I would accept a motion.
MR. KLEIN: I would move approval.
MR. CZUKER: Second.
MS. HAWKINS: I'll second.
CHAIRMAN WALLACE: A motion by Klein and Czuker seconds. Or is it Carrie? Did you --
MS. HAWKINS: I think we did it simultaneously.

MR. KLEIN: That is a powerful second.

CHAIRMAN WALLACE: Any discussion on the motion?

Yes, Ed.

MR. CZUKER: Totally supportive, but in the budget are we going to look further at the technology, in increasing technology, and are we also going to take another hard experiment in advancing the remote meeting where we had the teleconferencing?

CHAIRMAN WALLACE: I don't think that's in the budget but I see in the second to the last paragraph, and having heard this in advance, to provide technical and legal support. At any rate, replete in that --
MS. RILEY: There's probably --

CHAIRMAN WALLACE: What Linn was saying.

MS. RILEY: Right.

CHAIRMAN WALLACE: There's some technological updating that we have.

MR. MAIO (FROM THE AUDIENCE): There are a lot of technological projects in the budget for next year.

MS. RILEY: In the budget.

CHAIRMAN WALLACE: A lot of it. So the answer is, yes, Ed.

MS. RILEY: Yes.

CHAIRMAN WALLACE: But it is not yes, necessarily, to your last item.

MS. RILEY: Right.

MR. CZUKER: Video conferencing.

CHAIRMAN WALLACE: Teleconferencing. I thought we got a report on that it raised as many problems as it solved. And you may not have been here. We should dig out --

MR. CZUKER: I actually enjoyed it.

CHAIRMAN WALLACE: No, you may not have been here when we got a follow-up report to that.

MR. CZUKER: Oh, a follow-up.

CHAIRMAN WALLACE: And we probably ought to get that to Ed.

MS. PARKER: Yes. The Board asked us and I don't
I think we reported it back --

CHAIRMAN WALLACE: Two or three meetings ago.

MS. PARKER: Yes, yes. So I think we put something together. We'll look for that.

CHAIRMAN WALLACE: And why don't you send that back out, particularly to the Eds.

MS. PARKER: Sure.

CHAIRMAN WALLACE: Because it had some problems, largely driven by the Ed Hobbs (sic) situation, etcetera, which hasn't worked out. But having said that, back to the original motion. Any members of the Board or the public that are interested in further questioning this motion? If not, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: Resolution 02-13 has been approved.
CHAIRMAN WALLACE: Resolution 02-13 is hereby approved. Moving on to Item -- Thank you, Jackie.

OTHER BOARD MATTERS

Moving on to Item 6, discussion of other unagendized Board matters or reports. You got quite a bit. Dawn is putting a lot of stuff in there that we haven't seen much before and Ken has an excellent report. Di has a report in there, some of which we have discussed, the Acosta bill and so on. So no further discussion on that?

PUBLIC TESTIMONY

I'll move on to public testimony. This will grab us if it happens. Have you got another report, Dick?

MR. LaVERGNE (FROM THE AUDIENCE): No, the public (inaudible because he was away from the microphone) Board Meeting.

CHAIRMAN WALLACE: You did? Oh, good. Well, Item 7 is for any public testimony. Any members of the public? Hearing and seeing none, our next meeting is June 6 in
Sacramento, Holiday Inn, Capitol Plaza, where we were before.

MR. HUGHES: Mr. Chairman, at the beginning of the meeting you asked to be reminded at the end of the meeting that you wanted to end the meeting in memory of Karney Hodge.

CHAIRMAN WALLACE: I did, thank you. We were saddened to hear of the passing of Karney Hodge. He was with the Agency for a long time, did many great things, and so I would ask you to bow your heads and observe a moment of silence in respect to Karney and all the great things he was to CHFA, if you please.

(A moment of silence was observed.)

Thank you, we are adjourned.

(The meeting was adjourned at 12:37 p.m.)

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CERTIFICATION AND DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed two (2) tapes in number and this covers a total of pages 1 through 130, and which recording was duly recorded at Burbank, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 16th day of May, 2002, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 25th day of May, 2002, at Sacramento County, California.

Ramona Cota, Official Transcriber

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SUMMARY:

This is a Final Commitment request for a first mortgage, tax-exempt loan in the amount of $7,750,000 at 5.70%, amortized over forty years. Plaza del Sol is a 70 unit, mixed-income, new construction project. The project is for families and it will be located at 4299 Alamo Street, Simi Valley, in Ventura County.

LOAN TERMS:

1st Mortgage Amount: $7,750,000
Interest Rate: 5.70%
Term: 40 year fixed, fully amortized
Financing: Tax-Exempt

LOCALITY INVOLVEMENT:

The borrower has received a $1,400,000 loan from the City/Simi Valley Community Development Agency for fifty-five years at 3.00%.

In addition to locality financing, the sponsor has received a HOME loan in the amount of $1,462,500 funds from the California Housing and Community Development (HCD) for fifty-five years at 5.30%. Both loans payments are residual receipt.

PROJECT DESCRIPTION:

A. Site Design

The land is zoned RH-13.5 which allows for the residential development of no more than 13.5 units per acre. The site is 5.23 acres which is sufficient under existing zoning law to construct the 70 units of family housing. The site was used for agriculture until 1961 when it was partially graded and it has been vacant ever since.

May 21, 2002
B. Project Description

The project will include 21, one and two-story residential buildings containing 70 apartments and one building containing the community room. The two, three and four bedroom units will be townhouses. There will be two, 1 bedroom townhomes and four, second story, 1 bedroom flats with stairway access to their garages underneath. The overall density of the project will be 13.4 units per acre, a lower density level than is found in existing market rate apartment complexes in Simi Valley. Density levels on these older market rate projects is generally 20+ units per acre.

The residential unit mix will include six, 1 bedroom/1 bath units (between 612-804 sq. ft.); eleven 2 bedroom/1½ bath units (between 903-972 sq. ft.); forty-four 3 bedroom/2½ bath units (between 1,111-1,145 sq. ft.) and nine 4 bedroom/2½ bath units (approximately 1,242 sq. ft.). The City of Simi Valley (“Simi Valley”) requires 2.5 parking places for each unit. There will be 175 total parking places of which 134 will be attached garages. The buildings will be wood frame with stucco siding with a pitched concrete tile roof. The one-bedroom units will have a single car garage, most of the two-bedroom units will have a two-car garage and all of the three and four-bedroom units will have a two-car garage. Due to design constraints, 2 two-bedroom units will have a one-car garage, with a reserved open space immediately adjacent to the garage. There will be perimeter fencing separating the project from surrounding residential structures. The portion of the site bordering Alamo Street and Fairbanks Avenue will not be fenced but will have enhanced landscaping as is required by the City.

Unit amenities will include central heat and air conditioning, washers and dryers in each unit’s garage, patios, garbage disposals and dishwashers. Project amenities will include large outdoor open spaces, a tot lot, a picnic area and a swimming pool. The community room will include the rental office, maintenance and pool storage/work space, bathrooms, a computer room and a multi-purpose room with a kitchen.

C. Project Location

The project is located in the northeastern section of Simi Valley approximately one mile north of the 118 Freeway and one block east of Tapo Canyon Road. The Simi Valley Civic Center is one block west. The project sits on the northeast corner of Alamo Street and Fairbanks Avenue.

To the north of the project are older single family residential homes. To the east are condominiums; to the south is Alamo Street boarded by more single family residential homes and a vacant lot, and to the west is Fairbanks Avenue and an older market rate apartment project.

The elementary and middle schools are ½ mile north of the project. The public library, the DMV, the East County Court House and the senior center are one block west of the project in the Civic Center. Neighborhood shopping is one block east at the Bellwood
Center, which contains a supermarket and a variety of smaller stores. Two blocks east, at the corner of Alamo and Tapo Canyon is the Simi Valley regional neighborhood shopping center that includes a new multi-screen movie theater, several restaurants and a variety of national retailers and strip retail shops.

Bus transportation is located within one block of the site.

MARKET:

A. Market Overview

The site is located in Simi Valley in Ventura County ("the County"). Simi Valley is located in the southeast corner of the County, 50 minutes west of downtown Los Angeles, and 30 miles west of Burbank. Simi Valley has a population of approximately 116,048 as of 2001 and the County has a population of approximately 753,200 according to the 2000 Census data.

Over the past decade, local jurisdictions within the County have limited the amount of construction through a coordinated growth management plan. This has limited population growth within the County to an average of about 1.8% per year. Simi Valley incorporated on October 10, 1969 and it is the fourth largest city in the County. The city operates under a council-manager type of government. Police protection is provided by the Simi Valley Police Department while fire protection is provided by the County.

The neighborhood boundaries for this project are the city limits. The average cost of residential housing in Simi Valley is $332,000 which requires an income of approximately $75,000 per year. Homes built in 1968 with an average of 1,500 square feet of livable space on a 6,932 square foot lot within one mile of the project are selling for $282,590. According to the market study performed by Moss & Associates, the median income in Simi Valley is $82,152 although 12.69% of the population earns less than $35,000.

There are five distinct sources of employment in the County: agriculture, oil, defense, manufacturing and tourism. Within Simi Valley, the largest employers are Simi Valley Unified, Countywide Funding, Verizon/GTE Corporation’s regional offices and Farmers Insurance Company’s Southern California regional offices. Countrywide Funding purchased two building in Simi Valley in 2001 for their loan servicing operation which is expected to add an additional 1,500 jobs. CNM Network is consolidating operations in Simi Valley from outside the area which will add an additional 300 jobs. The unemployment rate for February 2002 was 4.1% in Simi Valley and 4.7% in the County.

According to the appraisal prepared by Pacific Real Estate Appraisal, the overall trend in the market rate rental apartment market has been increasing rents and occupancy levels in the eastern areas of the County. Demand is very strong for apartments and supply has
been very limited since there has been no new market rate construction in the area since 1990.

### B. Market Demand

There are currently twenty-three affordable apartment projects, of which ten are for seniors, for a total of 1,106 units in Simi Valley. These units provide housing for approximately 3.2% of the population. Since 22% of the population earns less than $50,000 per year, more affordable housing is needed.

Of the six market rate rental comparables reviewed by Moss & Associates, three are apartment buildings constructed in 1988 or before, two are single family residences and one is a townhouse PUD. The single family residences and the townhome are included because there are few three bedroom comparables and no four bedroom comparables in Simi Valley. The vacancy rate for the three market rate apartment projects is 0% and all have waiting lists. Average market rate rents in Simi Valley have increased 10% during the past two years.

The Regional Housing Needs Assessment by the Southern California Association of Governments indicates that the City needs 632 new units of very low income housing and 343 new units of low income housing through 2005.

### C. Housing Supply

According to the City of Simi Valley General Plan, Housing Element, May 2000 (“the General Plan”), there are 568 existing very low income units, 15 units at median income and 523 units for low income tenants for a total of 1,106 affordable units.

There is a 324-unit apartment complex under construction approximately 1.5 miles southeast of the site. It will include 10 units restricted to very-low income families and 71 for low-income families. Within 10 years, the affordability component of this complex will shift to 20 units for very-low income families and 61 units for low-income families. There is a 202 unit apartment complex, in the planning stages, with an occupancy and rental structure that has yet to be determined that will be located in the southern section of Simi Valley.

The majority of the apartment projects in Simi Valley have one and two-bedroom units. Single family homes and condominium rental comparables had to be included in the market study to determine the rent levels of three and four bedroom units. All rent comparables include the following amenities, which will also be included with this project: air conditioning, dishwashers, patios or balconies and garbage disposals. Only one of the market rate apartment projects, constructed in 1977 has garages with electric openers. The rest of the apartment units have carports and open parking. The existing apartment buildings have 1 to 1½ parking spaces per unit.
Two LIHTC apartment complexes were constructed in 1999, one 148-unit family project in Wood Ranch and 136-unit senior project nearby on Madera Road. Both are fully occupied with waiting lists.

**PROJECT FEASIBILITY:**

This project includes much needed large family units and is designed to attract affordable and market rate tenants.

### Rent Differentials (Market vs. Restricted)

<table>
<thead>
<tr>
<th>Rent Level</th>
<th>Subject Project</th>
<th>Mkt. Rate Avg.</th>
<th>Difference</th>
<th>% of Market</th>
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</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td></td>
<td></td>
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<tr>
<td>50%</td>
<td>$696</td>
<td>$1,041</td>
<td>$345</td>
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<tr>
<td>60%</td>
<td>$789</td>
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<td>$252</td>
<td>76%</td>
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<tr>
<td>Market</td>
<td>$922</td>
<td></td>
<td>$119</td>
<td>89%</td>
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<tr>
<td>Two Bedroom</td>
<td></td>
<td>$1,269</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>$774</td>
<td></td>
<td>$495</td>
<td>61%</td>
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<tr>
<td>60%</td>
<td>$942</td>
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<td>$327</td>
<td>75%</td>
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<tr>
<td>Market</td>
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<td>$321</td>
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<tr>
<td>Three Bedroom</td>
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<td>$1,470</td>
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<td></td>
</tr>
<tr>
<td>50%</td>
<td>$851</td>
<td></td>
<td>$619</td>
<td>58%</td>
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<tr>
<td>60%</td>
<td>$1,083</td>
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<td>$387</td>
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<tr>
<td>Market</td>
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<td>$232</td>
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<tr>
<td>Four Bedroom</td>
<td></td>
<td>$1,763</td>
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<tr>
<td>50%</td>
<td>$908</td>
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<td>$855</td>
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<tr>
<td>60%</td>
<td>$1,199</td>
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<td>$564</td>
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</tr>
<tr>
<td>Market</td>
<td>$1,496</td>
<td></td>
<td>$267</td>
<td>85%</td>
</tr>
</tbody>
</table>

**B. Estimated Lease-Up Period**

Housing is in short supply in Simi Valley and the estimated rent-up period for both the affordable and the market rate units is expected to be three to four months.

**OCCUPANCY RESTRICTIONS:**

CHFA: 20% of the units (14) will be restricted to 50% or less of median income. 20% of the units (14) will be restricted to 60% or less of median income.
TCAC: 49% of the units (34) will be restricted to 60% or less of median income.

HOME 20% of the units (14) will be restricted to 50% or less of median income.

City/Simi Valley Development Agency: 49% of the units (34) will be restricted to 60% or less of median income.

**ENVIRONMENTAL:**

An Environmental Site Assessment was prepared on March 2, 2000 by Glenfos Inc. There is one LUST (“Leaking Underground Storage Tank”) located within .11 miles of the project. The flow of groundwater does not run towards the project, therefore, it is not considered a significant impact to the site. There are no environmentally significant facilities close to the project. An updated Phase I is being completed but no problems are contemplated.

A noise study was prepared by Acoustical Analysis Associates, Incorporated on November 1, 2000. The report recommended dual-pane glass and air conditioning or mechanical ventilation in the buildings along Alamo Street. These recommendations are being incorporated into the design of the project and air conditioning is required given the climate in the area. The seismic report has been ordered, but has not yet been received. The final commitment will include the condition that these reports and their findings be acceptable to the Agency.

**ARTICLE 34:**

Less than 50% of the units are restricted. The City does not have Article 34 authority which is why this is a mixed-income project. An opinion letter, acceptable to the Agency, will be required prior to loan close.

**DEVELOPMENT TEAM:**

A. Borrower’s Profile

The land is owned by Cabrillo Economic Development Corporation, a California nonprofit public benefit corporation (“CEDC”). The project will be owned by a to-be-formed limited partnership that will include CEDC as the managing general partner. CEDC was formed in 1981 to provide affordable housing and educational opportunities to low and very-low income people in Ventura and Santa Barbara Counties. They have developed 13 projects with a total of 771 units. Ten of the 13 projects are apartment projects; nine new construction projects, with a total of 500 units and one acquisition/rehab project with 24 units.
B. Contractor

The project will be constructed by CEDC as general contractor. CEDC has been the contractor on nine residential projects with a total of 195 units. Those 195 units include two projects with 31 single family homes, one 22 unit acquisition/rehabilitation apartment project and six projects with 140 new multifamily units. Two subdivisions with a total of 84 single family homes are currently under construction.

C. Architect

Brady Roark is the architect on the project. He has been a licensed architect since 1979 and has been self-employed since 1982. Mr. Roark specializes in full-service multifamily affordable and market rate apartment buildings and he has designed a total of 5 projects with a total of 203 apartment units.

D. Management Agent

CEDC will manage the project. They currently own and manage 7 projects in California with a total of 270 units.
Project Summary

307

Project Profile:

- Project: Plaza del Sol Apts
- Location: 4299 Alamo Street, Simi Valley 93063
- County: Ventura
- Borrower: TBD
- GP: Cabrillo Economic Dev. Corp.
- LP: TBD
- Program: Tax Exempt

- CHFA #: 01-042-S

LTOLTY:
- Loan/Cost: 61.3%
- Loan/Value: 73.1%

Project Description:

- Units: 70
- Handicap Units: 2
- Bridge Type: New Const.
- Buildings: 22
- stories: 1 a 2
- Gross Sq Ft: 73,458
- Land Sq Ft: 228,034
- Units/Acre: 13
- Total Parking: 176
- Covered Parking: 132

Financing Summary:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Per Unit</th>
<th>Rate</th>
<th>Term</th>
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</thead>
<tbody>
<tr>
<td>CHFA First Mortgage</td>
<td>$7,750,000</td>
<td>$110,714</td>
<td>5.70%</td>
<td>40</td>
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<tr>
<td>CHFA HAT</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
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</tr>
<tr>
<td>HOME Loan</td>
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<td>$20,893</td>
<td>5.30%</td>
<td>55</td>
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<tr>
<td>City Funds</td>
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<td>3.00%</td>
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<td>MHP</td>
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<td>AHP</td>
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<td>Grants</td>
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<td>Contributions From Operations</td>
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<td>Borrower Contribution</td>
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<td>$0</td>
<td>-</td>
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<tr>
<td>Deferred Developer Equity</td>
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<td>$9,752</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Tax Credit Equity</td>
<td>$1,354,811</td>
<td>$19,354</td>
<td>-</td>
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<tr>
<td>CHFA Bridge</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>CHFA HAT</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
<td>-</td>
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Unit Mix:

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<tr>
<th>Type</th>
<th>50% AMI</th>
<th>60% AMI</th>
<th>Manager</th>
<th>60% AMI</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>number</td>
<td>rent</td>
<td>number</td>
<td>rent</td>
<td>number</td>
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<tr>
<td>1 bedroom</td>
<td>2</td>
<td>404</td>
<td>2</td>
<td>774</td>
<td>4</td>
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<tr>
<td>2 bedroom</td>
<td>2</td>
<td>774</td>
<td>4</td>
<td>942</td>
<td>0</td>
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<tr>
<td>3 bedroom</td>
<td>1</td>
<td>1238</td>
<td>8</td>
<td>851</td>
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<tr>
<td>4 bedroom</td>
<td>1</td>
<td>14</td>
<td>2</td>
<td>308</td>
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Fees, Escrows, and Reserves:

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<th>Fees</th>
<th>Basis of Requirements</th>
<th>Amount</th>
<th>Security</th>
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<tbody>
<tr>
<td>Loan fees</td>
<td>2.00% of Loan Amount</td>
<td>$155,000</td>
<td>Cash</td>
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<tr>
<td>Bond Origination Guarantee</td>
<td>1.00% of Loan Amount</td>
<td>$77,500</td>
<td>Letter of Credit</td>
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<tr>
<td>Inspection fee</td>
<td>$1,500 x months of construction</td>
<td>$22,500</td>
<td>Cash</td>
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<tr>
<td>Construction Defect</td>
<td>2.50% of Hard Costs</td>
<td>$163,125</td>
<td>Letter of Credit</td>
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<tr>
<td>Utility Stabilization Reserve</td>
<td>150.00% of Utilities</td>
<td>$19,500</td>
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<td>Marketing</td>
<td>0.00% of Gross Income</td>
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<td>Letter of Credit</td>
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<td>Operating Expense Reserve</td>
<td>10.00% of Gross Income</td>
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<td>Initial Deposit to Replacement Reserve</td>
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<td>Letter of Credit</td>
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<tr>
<td>Annual Replacement Reserve Deposit</td>
<td>$400 per Unit</td>
<td>$28,000</td>
<td>Operations</td>
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## Sources and Uses

### SOURCES:

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<tr>
<th>Name of Lender / Source</th>
<th>Amount</th>
<th>$ per unit</th>
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<tbody>
<tr>
<td>CHFA First Mortgage</td>
<td>7,750,000</td>
<td>110,714</td>
</tr>
<tr>
<td>CHFA Bridge</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CHFA HAT*</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>HOME Loan</td>
<td>1,462,500</td>
<td>20,893</td>
</tr>
<tr>
<td>City Funds</td>
<td>1,400,000</td>
<td>20,000</td>
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<tr>
<td>Other Loans</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total Institutional Financing</td>
<td>10,612,500</td>
<td>151,607</td>
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**Equity Financing**

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<tr>
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<th>Amount</th>
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<tbody>
<tr>
<td>Tax Credits</td>
<td>1,354,811</td>
<td>19,354</td>
</tr>
<tr>
<td>Deferred Developer Equity</td>
<td>682,612</td>
<td>9,752</td>
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<tr>
<td>Total Equity Financing</td>
<td>2,037,423</td>
<td>29,106</td>
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**TOTAL SOURCES**

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<tbody>
<tr>
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<td>12,649,923</td>
<td>180,713</td>
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### USES:

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<tr>
<td>Acquisition</td>
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<td>Rehabilitation</td>
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<td>New Construction</td>
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<td>Architectural Fees</td>
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<td>Survey and Engineering</td>
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<td>Const. Loan Interest &amp; Fees</td>
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<td>Permanent Financing</td>
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<td>Contract Costs</td>
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<td>TCAC/Other Costs</td>
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<tr>
<td>Developer Overhead/Profit</td>
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<tr>
<td>Consultant/Processing Agent</td>
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**TOTAL USES**

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### Annual Operating Budget

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<td><strong>INCOME:</strong></td>
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<tr>
<td>Total Rental Income</td>
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<tr>
<td>Laundry</td>
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<tr>
<td>Other Income</td>
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<tr>
<td>Commercial/Retail</td>
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<tr>
<td><strong>Gross Potential Income</strong> (GPI)</td>
<td><strong>$913,488</strong></td>
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<tr>
<td>Less:</td>
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<td>Vacancy Loss</td>
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<tr>
<td><strong>Total Net Revenue</strong></td>
<td><strong>$857,453</strong></td>
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| **EXPENSES:**        |            |
| Payroll              | $82,896    | $1,184   |
| Administrative       | $58,000    | $829     |
| Utilities            | $38,000    | $543     |
| Operating and Maintenance | $55,000    | $786     |
| Insurance and Business Taxes | $35,676    | $510     |
| Taxes and Assessments| $28,533    | $408     |
| Reserve for Replacement Deposits | $28,000    | $400     |
| **Subtotal Operating Expenses** | **$326,105** | **$4,659** |
| **Financial Expenses** |            |
| Mortgage Payments (1st loan) | $492,386    | $7,034   |
| **Total Financial**  | $492,386   | $7,034   |
| **Total Project Expenses** | **$818,491** | **$11,693** |
### Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>Plaza del Sol Apt.</th>
<th>CHFA # 01-042-S</th>
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</thead>
<tbody>
<tr>
<td><strong>RENTAL INCOME</strong></td>
<td></td>
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</tr>
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<td>2.50%</td>
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<tr>
<td>Other Income Increase</td>
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<td>0</td>
</tr>
<tr>
<td>Laundry</td>
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<tr>
<td>Other income</td>
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<tr>
<td>TOTAL OTHER INCOME</td>
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<td>4.00%</td>
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<td>431,759</td>
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<td></td>
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<td>492,386</td>
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<tr>
<td>CHFA - Bridge Loan</td>
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<tr>
<td>CHFA - HAT Loan (ammortizing)</td>
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<td>CASH FLOW after debt service</td>
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## Cash Flow

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<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
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<tbody>
<tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Market Rent Increase</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
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<tr>
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<td>696,706</td>
<td>714,124</td>
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<td>750,276</td>
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<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
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<tr>
<td>Affordable Rents</td>
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<td>518,862</td>
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<td>558,758</td>
<td>572,727</td>
<td>587,045</td>
<td>601,721</td>
<td>616,764</td>
<td>632,183</td>
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<td>1,198,575</td>
<td>1,228,540</td>
<td>1,259,253</td>
<td>1,290,735</td>
<td>1,323,003</td>
<td>1,356,078</td>
<td>1,389,980</td>
<td>1,424,730</td>
<td>1,460,348</td>
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</table>

| **OTHER INCOME**     |         |         |         |         |         |         |         |         |         |         |
| Other Income Increase | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Laundry              | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Other Income         | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| **TOTAL OTHER INCOME** | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |

| **GROSS INCOME**     |         |         |         |         |         |         |         |         |         |         |
| Market Rent Rate: Market | 7.00%   | 7.00%   | 7.00%   | 7.00%   | 7.00%   | 7.00%   | 7.00%   | 7.00%   | 7.00%   | 7.00%   |
| Affordable Rent Rate: Affordable | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   | 5.00%   |
| Less: Vacancy Loss   | 71,730  | 73,523  | 75,361  | 77,245  | 79,176  | 81,156  | 83,185  | 85,264  | 87,396  | 89,581  |
| **EFFECTIVE GROSS INCOME** | 1,097,612 | 1,125,052 | 1,153,179 | 1,182,008 | 1,211,558 | 1,241,847 | 1,272,894 | 1,304,716 | 1,337,334 | 1,370,767 |

| **OPERATING EXPENSES** |         |         |         |         |         |         |         |         |         |         |
| Annual Expense Increase | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   |
| Expenses              | 399,032 | 414,993 | 431,593 | 448,857 | 466,811 | 485,484 | 504,903 | 525,099 | 546,103 | 567,947 |
| Annual Tax Increase   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   |
| Taxes and Assessments | 34,782  | 35,477  | 36,187  | 36,910  | 37,649  | 38,402  | 39,170  | 39,953  | 40,752  | 41,567  |
| **TOTAL EXPENSES**    | 464,684 | 481,341 | 498,650 | 516,637 | 536,873 | 556,299 | 576,486 | 597,466 | 619,269 | 643,549 |

| **NET OPERATING INCOME** |         |         |         |         |         |         |         |         |         |         |

| **DEBT SERVICE**       |         |         |         |         |         |         |         |         |         |         |
| CHFA - 1st Mortgage    | 492,386 | 492,386 | 492,386 | 492,386 | 492,386 | 492,386 | 492,386 | 492,386 | 492,386 | 492,386 |
| CHFA - Bridge Loan     |         |         |         |         |         |         |         |         |         |         |
| CHFA - HAT Loan (ammortizing) |         |         |         |         |         |         |         |         |         |         |

| CASH FLOW after debt service | 140,542 | 151,326 | 162,143 | 172,985 | 182,299 | 193,163 | 204,021 | 214,864 | 225,679 | 234,833 |
| DEBT COVERAGE RATIO        | 1.29    | 1.31    | 1.33    | 1.35    | 1.37    | 1.39    | 1.41    | 1.44    | 1.46    | 1.48    |
# Cash Flow

## Rental Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Rent Increase</th>
<th>Affordable Rent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2022</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2023</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2024</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2025</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2026</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2027</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2028</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2029</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>2030</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Rent</th>
<th>Affordable Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>848,869</td>
<td>647,988</td>
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<td>870,091</td>
<td>664,187</td>
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<td>891,843</td>
<td>680,792</td>
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<td>2024</td>
<td>914,139</td>
<td>697,812</td>
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<td>2025</td>
<td>936,992</td>
<td>715,257</td>
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<td>1,060,121</td>
<td>809,248</td>
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## Other Income

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<th>Other Income</th>
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<td>0</td>
</tr>
<tr>
<td>2022</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2023</td>
<td>0</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2028</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2029</td>
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<tr>
<td>2030</td>
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## Gross Income

<table>
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<th>Total Other Income</th>
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<td>2030</td>
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## Effective Gross Income

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<td>1,513,070</td>
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<td>1,589,670</td>
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<td>2027</td>
<td>1,629,411</td>
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## Operating Expenses

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<th>Annual Expense Increase</th>
<th>Expenses</th>
<th>Replacement Reserve</th>
<th>Annual Tax Increase</th>
<th>Taxes and Assessments</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
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<td>667,098</td>
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<td>34,034</td>
<td>2.00%</td>
<td>43,247</td>
<td>691,572</td>
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## Net Operating Income

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<tr>
<td>2022</td>
<td>748,590</td>
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<td>759,157</td>
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<td>798,548</td>
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<tr>
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<td>808,433</td>
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<td>2029</td>
<td>818,122</td>
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<tr>
<td>2030</td>
<td>827,591</td>
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</tbody>
</table>

## Debt Service

- CHFA - 1st Mortgage: 492,386
- CHFA - Bridge Loan: 492,386
- CHFA - HAT Loan (amortizing): 492,386

## Debt Coverage Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow after debt service</th>
<th>Debt Coverage Ratio</th>
</tr>
</thead>
<tbody>
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<td>2021</td>
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<tr>
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<tr>
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<tr>
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<td>1.68</td>
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## Cash Flow

<table>
<thead>
<tr>
<th>RENTAL INCOME</th>
<th>Year 31</th>
<th>Year 32</th>
<th>Year 33</th>
<th>Year 34</th>
<th>Year 35</th>
<th>Year 36</th>
<th>Year 37</th>
<th>Year 38</th>
<th>Year 39</th>
<th>Year 40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rent Increase</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
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<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
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<tr>
<td>Market Rents</td>
<td>1,086,624</td>
<td>1,113,790</td>
<td>1,141,634</td>
<td>1,170,175</td>
<td>1,199,429</td>
<td>1,229,415</td>
<td>1,260,151</td>
<td>1,291,654</td>
<td>1,323,946</td>
<td>1,357,044</td>
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<tr>
<td>Affordable Rent Increase</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Affordable Rents</td>
<td>829,479</td>
<td>850,216</td>
<td>871,471</td>
<td>893,258</td>
<td>915,590</td>
<td>938,479</td>
<td>961,941</td>
<td>985,990</td>
<td>1,010,640</td>
<td>1,035,905</td>
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<tr>
<td>TOTAL RENTAL INCOME</td>
<td>1,916,103</td>
<td>1,964,005</td>
<td>2,013,106</td>
<td>2,063,433</td>
<td>2,115,019</td>
<td>2,167,894</td>
<td>2,222,092</td>
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<td>2,334,585</td>
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<tr>
<th>OTHER INCOME</th>
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<tbody>
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<td>Other Income Increase</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Laundry</td>
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<td>Other Income</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL OTHER INCOME</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<table>
<thead>
<tr>
<th>GROSS INCOME</th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Rate: Market</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Vacancy Rate: Affordable</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Less: Vacancy Loss</td>
<td>117,538</td>
<td>120,476</td>
<td>123,488</td>
<td>126,575</td>
<td>129,740</td>
<td>132,983</td>
<td>139,715</td>
<td>146,788</td>
<td>154,625</td>
<td>162,500</td>
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<tr>
<td>EFFECTIVE GROSS INCOME</td>
<td>1,798,565</td>
<td>1,843,529</td>
<td>1,889,618</td>
<td>1,936,858</td>
<td>1,985,279</td>
<td>2,034,911</td>
<td>2,084,412</td>
<td>2,137,929</td>
<td>2,191,377</td>
<td>2,246,161</td>
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<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Annual Expense Increase</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
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</tr>
<tr>
<td>Expenses</td>
<td>874,329</td>
<td>909,302</td>
<td>945,674</td>
<td>983,501</td>
<td>1,022,841</td>
<td>1,063,754</td>
<td>1,106,305</td>
<td>1,145,534</td>
<td>1,186,597</td>
<td>1,244,442</td>
</tr>
<tr>
<td>Annual Tax Increase</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Taxes and Assessments</td>
<td>51,684</td>
<td>52,717</td>
<td>53,772</td>
<td>54,847</td>
<td>55,944</td>
<td>57,063</td>
<td>58,204</td>
<td>59,368</td>
<td>60,556</td>
<td>61,767</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>961,748</td>
<td>997,755</td>
<td>1,035,181</td>
<td>1,074,084</td>
<td>1,114,521</td>
<td>1,156,553</td>
<td>1,200,245</td>
<td>1,245,661</td>
<td>1,292,870</td>
<td>1,341,945</td>
</tr>
</tbody>
</table>

| NET OPERATING INCOME          | 836,817 | 845,774 | 854,436 | 862,774 | 870,759 | 878,358 | 885,540 | 892,268 | 898,507 | 904,217 |

<table>
<thead>
<tr>
<th>DEBT SERVICE</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>CHFA - 1st Mortgage</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
<td>492,386</td>
</tr>
<tr>
<td>CHFA - Bridge Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHFA - HAT Loan (ammortizing)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| CASH FLOW after debt service  | 344,431 | 353,389 | 362,050 | 370,388 | 378,373 | 385,972 | 393,154 | 399,882 | 406,121 | 411,831 |
| DEBT COVERAGE RATIO           | 1.70 | 1.72 | 1.74 | 1.75 | 1.77 | 1.78 | 1.80 | 1.81 | 1.82 | 1.84 |
Plaza del Sol Apartments

4299 Alamo Street
Simi Valley, Ventura
Plaza del Sol Apartments

4299 Alamo Street
Simi Valley, Ventura
RESOLUTION 02-14

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Cabrillo Economic Development Corporation, a California nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 70-unit multifamily housing development located in the City of Simi Valley to be known as Plaza Del Sol Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 21, 2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on March 25, 2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including but not limited to those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

<table>
<thead>
<tr>
<th>PROJECT NUMBER</th>
<th>DEVELOPMENT NAME/ LOCALITY</th>
<th>NUMBER OF UNITS</th>
<th>MORTGAGE AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-042-s</td>
<td>Plaza Del Sol Apartments Simi Valley/Ventura</td>
<td>70</td>
<td>$7,750,000</td>
</tr>
</tbody>
</table>
2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 02-14 adopted at a duly constituted meeting of the Board of the Agency held on June 6, 2002, at Sacramento, California.

ATTEST: _______________________
Secretary
SUMMARY:

This is a Final Commitment request for a tax-exempt, first mortgage loan in the amount of $9,730,000, and a bridge loan in the amount of $5,525,000. Security for the first mortgage loan will be a newly constructed 132 unit family apartment community owned by Eden Victoria Limited Partnership, a limited partnership with Eden Housing, Inc. as general partner. The project will be located at 4901 San Pablo Avenue in Hercules.

LOAN TERMS:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Term</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Mortgage</td>
<td>$9,730,000</td>
<td>5.50%</td>
<td>30 year fixed, fully amortized</td>
<td>Tax-Exempt</td>
</tr>
<tr>
<td>Bridge Loan</td>
<td>$5,525,000</td>
<td>5.50%</td>
<td>3 years, simple interest</td>
<td>Tax-Exempt</td>
</tr>
</tbody>
</table>

LOCALITY INVOLVEMENT:

The property will have secondary financing from Contra Costa County (CCC). CCC’s Board of Supervisors approved an award of $1,400,000 of HOME funds to the project in May 2002. The commitment letter was issued on May 16, 2002. Additionally, the State of California Department of Housing and Community Development (HCD) awarded a Multi-Family Housing Program loan of $5,164,309 to the project in March 2002, and provided a conditional commitment in April 2002. The repayment of these loans will be from residual receipts.

Catellus, the master developer of the site agreed to sell the land to Eden for one dollar, a donation valued at $3,710,000, subject to the terms and conditions of the Purchase Agreement dated March 2002, the Grant Deed and the Development Agreement.

May 21, 2002
PROJECT DESCRIPTION:

A. Site Design

The project will be located on approximately eight acres within a master-planned community on the fully remediated site of the former Pacific Oil Refinery. The site is currently vacant with rough grading nearly complete. The master development site is located along the San Pablo Bay shoreline and will have an improved bayside trail, 14.3 acres of public park space, hundreds of market rate single family homes, a proposed retail area, and a proposed elementary school site. Single family home construction by Wormington Homes and William Lyon Homes will start this summer, with models available by October 2002. In addition, it is expected that the master developer will be completing work on the entrance monuments, the community trail, and the linear park by mid-October 2002, before construction begins on the Victoria Family project.

Victoria Family’s site plan has been designed to foster a strong sense of community while also allowing for a sense of privacy for each resident. A main picnic area will encourage interaction by residents and facilitate the development of neighborhood bonds. There will also be two fenced tot lots on the site and an outdoor barbecue and recreation area. In addition, there will be a 3,000 square foot community building that will house a computer learning center and a community room. Three stand-alone laundry facilities will be located on site, one of which will be included in the maintenance building. Parking lots will be located to the rear of most buildings and will provide 132 covered stalls and 112 uncovered spaces.

B. Project Description

There will be fifteen two-story buildings that will each contain eight apartments, and a one-story building that will contain twelve apartments. The construction will be plywood sheathing with composition asphalt shingles. Each apartment will have either a private porch or a shared balcony. The unit mix in the project will consist of one, two and three bedroom flats, with one bathroom in the one and two-bedroom units, and two bathrooms in the three-bedroom units. Interior finishes will include carpeting in all the living areas and sheet vinyl flooring in the kitchens and bathrooms. The kitchens will feature electric ranges and dishwashers with laminate counter surfaces.

The community building will include a large central meeting room and office space for the development’s resident manager and service coordinator. A key feature will be the computer learning center which will be equipped with nine computer workstations and a printer, and will provide internet access. Eden Housing Resident Services, Inc. recently developed a prototype computer learning curriculum at another development which will be replicated at Victoria Family Housing. Eden’s mission is to provide computer resources for the educational, employment and social needs of children and adults. Programming for adults will focus on skills development through classes and individual tutoring to assist residents in obtaining professional level computer skills and enhancing residents’ employability.
C. Project Location

The project will be located within a master-planned community which addresses a serious blight that has burdened the City of Hercules since the closure of the Pacific Oil Refinery. The entire site has been fully remediated, and the master plan will provide up to 748 market rate single family homes, park space, open space, potential future retail development, a potential school site and recreational trails. The project will comply with the design guidelines of the master development, ensuring that the affordable housing compliments the adjacent market-rate development and is consistent with both the Redevelopment Plan and Specific Plan objectives.

The project is located in Hercules on a major artery, San Pablo Avenue, just one mile from the intersection of Interstate 80 and Highway 4. To the south of the master planned development is the North Shore Business Park and to the west is the San Pablo Bay and rail lines. The eastern boundary of the master planned development is Interstate 80, and single family homes and the Spectrum School are to the north. The Victoria Housing project will be accessed via a loop road into the master planned development, and will be bound by single family homes to the west and north, San Pablo Avenue and the proposed retail site to the east, and the North Shore Business Park to the south.

MARKET:

A. Market Overview

The City of Hercules is located in Contra Costa County, in the Bay Area of Northern California. Hercules includes an area of 5.5 square miles, located approximately 20 miles northeast of San Francisco. Hercules is bounded by San Pablo Bay to the north, the incorporated city of Pinole to the west and south, open space to the east, and unincorporated Rodeo to the northeast. Hercules was once a town with significant industrial space, but the closing of the Hercules Power Plant in 1977 and the Pacific Oil Refinery in 1997 ended much of the city’s heavy industry.

According to the City of Hercules Housing Element, Contra Costa County’s population grew by 18% between 1990 and 2000 from 804,000 to 949,000. Hercules’ population grew by 16% during the same period from 16,800 to 19,500. The Association of Bay Area Governments (ABAG), projects that Hercules will grow to a population of 27,500 by the year 2020. According to B A G estimates, job growth in Contra Costa County increased by 14% in the 1990’s, compared to job growth in Hercules of 61%. The ratio of jobs to employed residents in Contra Costa County remained steady at 0.77 from 1990 to 2000, compared to the increase in Hercules’ ratio from 0.26 in 1990 to 0.37 in 2000. While Hercules (the City) has remained a bedroom community, in which most people work outside the City, job growth over the past 10 years has created new opportunities for more people to live and work in the same community.
B. Market Demand

The number of households in Hercules increased by 21% between 1990 and 2000, for a total of 6,423 households in 2000. Nearly 78% of all households in 2000 were families, of which over half had children under 18 years of age at home. The average household size in Hercules decreased from 3.17 in 1990 to 3.03 in 2000, compared to average household size in Contra Costa County which increased from 2.64 in 1990 to 2.72 in 2000. According to ABAG, average household sizes are expected to remain steady in both the City and the County through the year 2020.

The regional affordable housing need determined by ABAG for Contra Costa County between 1999 and 2006 is estimated at 34,710 units. Hercules’ fair share of the County’s housing need is estimated at 792 units, with the need for 101 very low income units, 62 low income units, 195 moderate income units and 434 above moderate income units.

The homeowner vacancy rate in Hercules was 1.1% in 2000, and the rental vacancy rate was 1.4% in 2000. The rental vacancy rate began to rise in the third quarter of 2001 such that during the first quarter of 2002 vacancy rates increased to 4%. According to ABAG, a 5% rental vacancy rate is considered necessary to permit ordinary rental mobility. With the decline in demand, rental rates also fell by nearly 6%. The market study completed by the Sedway Group in May 2002 reflects these lower market rents.

C. Housing Supply

Hercules is a relatively young city and its housing stock is relatively new, with the majority of the homes having been built in the past 30 years. The 2000 US Census counted 6,546 housing units in Hercules, an increase of 16% from the 1990 figure. During the 1990’s housing construction in Hercules continued to emphasize single family home developments. There was also an increase in the number of larger multi-family developments, accounting for 14% of the units added to the City’s housing stock in the 1990’s. Total multi-family units in Hercules are still low at 819 total units in 2000, compared to 5,720 single family homes.

According to the market study, 867 market rate and affordable apartment units including the subject are in various stages of planning in the Hercules market area. Three projects, including a total of 475 units, are currently under construction. One project in the market area has been approved to develop 24 units. The remaining 368 units, including this project are in the design phase.

One of the larger proposed apartment projects in the market area is part of the Bixby Land Company development in Hercules. The project is located on a large, bay-front property close to this project and is part of a residential development that will also include live/work units, single-family homes and a hotel. The Bixby development is still in the preliminary design phase, and is expected to include approximately 200 apartment units whose rent composition is yet unknown, and it is expected to be submitted for necessary development entitlements in the fall of 2002.
In addition a 432-unit apartment development is under construction in the Hilltop area of Richmond. It is the largest proposed multifamily development in the market area. The project is under construction and the units are expected to be available for occupancy in early 2003.

PROJECT FEASIBILITY:

Rent Differentials (Market vs. Restricted)

<table>
<thead>
<tr>
<th>Rent Level</th>
<th>Rent Level</th>
<th>Subject Rents</th>
<th>Market Rents $1,080</th>
<th>Market Rents Difference</th>
<th>% of Market Rents</th>
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</thead>
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<td>35%</td>
<td>$341</td>
<td></td>
<td>$739</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>$396</td>
<td></td>
<td>$684</td>
<td>37%</td>
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<td></td>
<td>50%</td>
<td>$657</td>
<td></td>
<td>$423</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Two Bedroom</strong></td>
<td>35%</td>
<td>$403</td>
<td>$1,300</td>
<td>$897</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>$469</td>
<td></td>
<td>$831</td>
<td>36%</td>
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<td></td>
<td>50%</td>
<td>$782</td>
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<td>$518</td>
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<td>60%</td>
<td>$950</td>
<td></td>
<td>$350</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>$1,170</td>
<td></td>
<td>$130</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Three Bedroom</strong></td>
<td>35%</td>
<td>$462</td>
<td>$1,525</td>
<td>$1,063</td>
<td>30%</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>$987</td>
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<td>$900</td>
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<td>$625</td>
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<td></td>
<td>60%</td>
<td>$1,094</td>
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<td>$431</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>$1,373</td>
<td></td>
<td>$152</td>
<td>90%</td>
</tr>
</tbody>
</table>

B. Estimated Lease-Up Period

The market study estimates that these apartments would achieve an absorption level of 15 to 25 units per month at the market rate rents. This translates to an absorption period between five and nine months.
OCCUPANCY RESTRICTIONS:

The occupancy restrictions described below are expected to reflect those in the final Regulatory Agreements.

CHFA: 20% of the units (27) will be restricted at 50% or less AMI

TCAC: 80% of the units (106) will be restricted at 60% or less AMI

HCD: 14% of the units (18) will be restricted at 35% or less SMI
     19% of the units (25) will be restricted at 40% or less SMI
     8% of the units (10) will be restricted at 50% or less AMI
     8% of the units (11) will be restricted at 60% or less AMI

HOME: 14% of the units (18) will be restricted at 30% or less AMI
     19% of the units (25) will be restricted at 40% or less AMI
     8% of the units (10) will be restricted at 50% or less AMI

ENVIRONMENTAL:

The project will be located within a master-planned community which addresses a serious blight that burdened the City of Hercules after the closure of the Pacific Oil Refinery, identified as one of the largest brownfields in the country. The refinery was constructed on the site in 1966 by Gulf Oil. By late 1996, the facility had discontinued all refining activities and was operated as a petroleum terminal through mid-1997. In 1997 the facility was purchased by the master developer, Hercules Victoria, LLC, for redevelopment, and re-named the New Pacific Properties Site (NPP Site). In late 1997 the refinery structures were dismantled and removed from the site. Since Catellus Residential Group, the manager of Hercules Victoria, LLC, knew they would need to remediate the site, they did not order Phase I or Phase II reports, opting instead to proceed directly to Phase III clean-up.


The Health Risk Assessment Report states that the NPP Site soils, groundwater and areas of impact have been characterized and remediated to meet the requirements of the RWQCB-SF, as stated in its letter titled Clarification of Cleanup Standards and Redevelopment Requirements for the Pacific Refining Property, Hercules, Contra Costa County, dated September 1997. In addition to the cleanup goals presented in the RWQCB-SF letter, risk-based target concentrations (RBTC) were developed by Environ to address chemicals detected in the soil and volatilization from subsurface soils and groundwater. The measured site concentrations were then compared to the RWQCB-SF's cleanup goals and the RBTCs to demonstrate that the chemical concentrations.
remaining in the soil and groundwater are below levels that are protective of future on-site populations, or that appropriate site restrictions will prevent exposure to these chemicals.

Two areas of impacted groundwater were identified at the NPP Site - the areas of two former above-ground tanks. According to maps in the Environ report, the site for the Victoria Housing Project was an undeveloped area of the former oil refinery and did not contain any storage tanks. From April 1999 to July 2000, soil vapor and groundwater from up to 93 recovery wells were treated by an approved remediation design and then monitored quarterly. In August 2000, Catellus requested concurrence from the RWQCB-SF that no further action was required for groundwater in these areas. In its letter dated April 2001, the RWQCB-SF agreed that the “groundwater in both areas does not exceed human health risk-based concentrations, the groundwater discharge in both areas does not pose a threat to ecological receptors, and natural attenuation processes with continue to reduce the remaining concentrations over time.”

Municipal water service for the NPP Site will be provided by the East Bay Municipal District. In addition, institutional controls prohibiting groundwater use at the NPP Site will be established in conjunction with the site redevelopment for residential use. Future owners will be prohibited from constructing water wells, and otherwise drilling, digging or excavating soil to obtain groundwater for any purpose.

In the RWQCB-SF’s 1997 letter, soil cleanup standards were presented for the NPP Site. Initially, a Sampling and Analysis Plan (SAP) was developed to characterize the soils on the NPP Site. The plan was implemented between 1999 and 2001, with over 700 soil samples collected and analyzed. In order to meet the RWQCB-SF’s soil cleanup goals, and the RBTC for soil developed by Environ, a Soils Management Plan was developed and implemented by Catellus. Under this program impacted soils were excavated, characterized and placed at depth in eight fill areas, such that they will be approximately 12 feet or deeper below the final future development grade, and at least 5 feet above groundwater. The RWQCB-SF cleanup goals and RBTCs for soil were compared to the measured NPP Site concentrations after remediation. Based on Environ’s assessment, there is no significant risk due to potential exposure of residents to chemicals present in soils. According to maps in the Environ report, the site for the Victoria Housing Project will contain only one of the eight impacted soil fill areas.

Based on Environ’s risk assessment results and planned institutional controls, site conditions are considered safe for the planned use of the property. A second No Further Action letter was issued by the RWQCB-SF in November 2001. It states that “staff concurs with New Pacific Properties that the completion of the site investigation and remedial action for the pollutant releases at the NPP Site in preparation for the residential development has been completed. Staff concludes that no further investigations or remedial actions are needed for the site. The risk assessment concludes that the site is safe for residential and park uses, given the restrictions in the site deed notice against groundwater use and the restrictions recorded against the excavation of soils deeper than 10 feet in residential lots.”

A seismic risk evaluation and NEPA review have been ordered, and a condition of the final commitment will be satisfactory review of these documents.
ARTICLE 34:

An opinion letter dated March 2002 from the law office of Joyce Hiyama Glatt was received. It states that Article 34 will not apply to the proposed project pursuant to Section 37001(a) of the California Health and Safety Code. The opinion letter is subject to review and approval by CHFA’s legal department.

DEVELOPMENT TEAM:

A. Borrower’s Profile

The borrower is Eden Victoria Limited Partnership, a California limited partnership. The developer and initial managing general partner is Eden Housing, Inc. Eden Housing, founded in 1968, is a California non-profit public benefit corporation which revitalizes communities through an array of development activities and social services that meet the needs of lower income people. In the past 34 years Eden Housing has developed close to 4,100 residential units in 57 developments, and more than 40,000 square feet of commercial space in cities throughout Alameda, Santa Clara, Sonoma, Contra Costa and San Joaquin counties.

B. Management Agent

Eden Housing’s property management firm, Eden Housing Management, Inc. (EHMI), will be the project property manager. Since its establishment in 1984, EHMI has provided professional, quality management for Eden’s properties with a commitment to the long-term maintenance of its properties. EHMI currently manages more than 1,700 units of rental housing for Eden Housing and third party owners. Through careful attention to issues as they arise, and consistently sound managerial practices, EHMI far exceeds management industry standards for bad debt, lost rent write-offs and vacancy factors.

C. Contractor

The contractor has not yet been determined, however, Eden’s construction consultant, Lou Minor, prepared the construction cost estimates based on specifications provided by the architect.

D. Architect

BAR Architecture Planning Interior Design, a 75 person architectural, interior design and planning firm has been selected at the architect. The firm has designed over 30,000 units of multi-family, student and affordable housing complexes throughout California over the past 30 years. In addition to being the recipient of 170 design awards, BAR was recently recognized by the California Council of the American Institute of Architects as the Firm of the Year, in 2000.
Project Summary

Date: 20-May42

Project Profile:

Project: Victoria Family Housing Apartments
Location: 4901 San Pablo Ave
Hercules CA
County: Contra Costa
Borrower: Eden Victoria Lmtd Prtnrshp
GP: Eden Housing
LP: 0
Program: Tax Exempt
CHFA #: 02-006-N

Financing Summary:

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<th></th>
<th>Amount</th>
<th>Per Unit</th>
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<th>Term</th>
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<td>ICD- MHP</td>
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<tr>
<td>Contributions From Operations</td>
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<td>Borrower Contribution</td>
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Unit Mix:

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<th>50% AMI</th>
<th>60% AMI</th>
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<td>number</td>
<td>rent*</td>
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<td>4 bedroom</td>
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Fees, Escrows, and Reserves:

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<td>Loan fees</td>
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<td>Bond OriginationGuarantee</td>
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<td>Inspection fee</td>
<td>$1,500 x months of construction</td>
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<td>Construction Defect</td>
<td>2.50% of Hard Costs</td>
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<td>Utility Stabilization Reserve</td>
<td>150.00% of Utilities</td>
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<td>Operating Expense Reserve</td>
<td>10.00% of Gross Income</td>
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<td>Reserve required by MHP</td>
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<td>Annual Replacement Reserve Deposit</td>
<td>$385 per unit</td>
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* net rent
** underwriting rents

Units: 132
Handicap Units: 4
Bldge Type: New Const.
Buildings: 16
Stories: 2
Gross Sq Ft: 129,892
Land Sq Ft: 381,548
Units/Acre: 16
Total Parking: 244
Covered Parking: 132
## Sources and Uses

### Sources:

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<thead>
<tr>
<th>Name of Lender / Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>CHFA First Mortgage</td>
<td>9,730,000</td>
<td>73,712</td>
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<tr>
<td>CHFA Bridge</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CHFA HAT*</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>HCD- MHP</td>
<td>5,164,309</td>
<td>39,124</td>
</tr>
<tr>
<td>Donated Land from Catellus</td>
<td>3,710,000</td>
<td>28,106</td>
</tr>
<tr>
<td>Other Loans</td>
<td>1,400,000</td>
<td>10,606</td>
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<td>Total Institutional Financing</td>
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**Equity Financing**

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<th>Source</th>
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<tr>
<td>Tax Credits</td>
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<td>Deferred Developer Equity</td>
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<td>Total Equity Financing</td>
<td>7,423,070</td>
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**TOTAL SOURCES**

|                        | 27,427,379  | 207,703    |

### Uses:

<table>
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<tr>
<th>Use</th>
<th>Amount</th>
<th>$ per unit</th>
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<tbody>
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<td>Rehabilitation</td>
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<tr>
<td>New Construction</td>
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<td>Architectural Fees</td>
<td>714,911</td>
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<tr>
<td>Survey and Engineering</td>
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<td>Con. Loan Interest &amp; Fees</td>
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<td>Permanent Financing</td>
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<td>Legal Fees</td>
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<td>Reserves</td>
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<td>Contract Costs</td>
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<td>Construction Contingency</td>
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<td>Local Fees</td>
<td>2,112,000</td>
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<td>TCAC/Other Costs</td>
<td>372,578</td>
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**PROJECT COSTS**

|                      | 26,227,379  | 198,692    |

| Developer Overhead/Profit         | 1,200,000    | 9,091      |
| 0                                 | 0            | 0          |

**TOTAL USES**

|                      | 27,427,379  | 207,703    |
### Annual Operating Budget

**Victoria Family Housing Apartments**

<table>
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<tr>
<th>Category</th>
<th>Amount 1</th>
<th>Amount 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME:</strong></td>
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<td></td>
</tr>
<tr>
<td>Total Rental Income</td>
<td>1,312,968</td>
<td>9,947</td>
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<tr>
<td>Laundry</td>
<td>9,504</td>
<td>72</td>
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<tr>
<td>Other Income</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Commercial/Retail</td>
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<td>-</td>
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<td><strong>Gross Potential Income (GPI)</strong></td>
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<td><strong>Less:</strong></td>
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<tr>
<td>Vacancy Loss</td>
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<td><strong>Total Net Revenue</strong></td>
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<td><strong>EXPENSES:</strong></td>
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<td>Payroll</td>
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<td>Insurance and Business Taxes</td>
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<td>Taxes and Assessments</td>
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<tr>
<td>Reserve for Replacement Deposits</td>
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<td><strong>Financial Expenses</strong></td>
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<td>Mortgage Payments (1st loan)</td>
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<td>5,022</td>
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<td><strong>Total Financial</strong></td>
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<tr>
<td><strong>Total Project Expenses</strong></td>
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# Cash Flow

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<th>Victoria Family Housing Apartments</th>
<th>CHFA # 02-006-N</th>
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<tbody>
<tr>
<td></td>
<td>RENTAL INCOME</td>
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<tr>
<td></td>
<td><strong>Market Rent Increase</strong></td>
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<tr>
<td></td>
<td>2.50%</td>
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<tr>
<td></td>
<td><strong>Market Rents</strong></td>
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<tr>
<td></td>
<td>369,912</td>
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<td></td>
<td><strong>Affordable Rent Increase</strong></td>
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<td></td>
<td>2.50%</td>
<td>2.50%</td>
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<tr>
<td></td>
<td><strong>Affordable Rents</strong></td>
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<td>OTHER INCOME</td>
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<tr>
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<tr>
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<td>Laundry</td>
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<tr>
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<td><strong>Taxes and Assessments</strong></td>
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<td></td>
<td><strong>CHFA - Bridge Loan</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,145,542</td>
<td>2,145,542</td>
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<tr>
<td></td>
<td><strong>CHFA - HAT Loan (ammortizing)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CASH FLOW after debt service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>73,157</td>
<td>85,814</td>
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<tr>
<td></td>
<td><strong>DEBT COVERAGE RATIO</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.11</td>
<td>1.13</td>
</tr>
<tr>
<td></td>
<td><strong>MHP pymt</strong></td>
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<tr>
<td></td>
<td>21,690</td>
<td>21,690</td>
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<tr>
<td></td>
<td><strong>DEBT COVERAGE RATIO - MHP</strong></td>
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<tr>
<td></td>
<td>1.08</td>
<td>1.09</td>
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# Cash Flow

## RENTAL INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Rent Increase</strong></td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td><strong>Market Rents</strong></td>
<td>1,207,191</td>
<td>1,237,371</td>
<td>1,268,305</td>
<td>1,300,018</td>
<td>1,332,513</td>
<td>1,365,826</td>
<td>1,399,972</td>
<td>1,434,971</td>
<td>1,470,846</td>
<td>1,507,617</td>
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<tr>
<td><strong>Affordable Rent Increase</strong></td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td><strong>Affordable Rents</strong></td>
<td>12,166</td>
<td>12,470</td>
<td>12,782</td>
<td>13,101</td>
<td>13,429</td>
<td>13,765</td>
<td>14,109</td>
<td>14,461</td>
<td>14,823</td>
<td>15,194</td>
</tr>
</tbody>
</table>

| **TOTAL RENTAL INCOME** | 1,680,710 | 1,722,728 | 1,765,796 | 1,809,941 | 1,855,189 | 1,901,569 | 1,949,108 | 1,997,836 | 2,047,782 | 2,098,977 |

## OTHER INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Income Increase</strong></td>
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<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td><strong>Laundry</strong></td>
<td>12,166</td>
<td>12,470</td>
<td>12,782</td>
<td>13,101</td>
<td>13,429</td>
<td>13,765</td>
<td>14,109</td>
<td>14,461</td>
<td>14,823</td>
<td>15,194</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

| **TOTAL OTHER INCOME** | 12,166 | 12,470 | 12,782 | 13,101 | 13,429 | 13,765 | 14,109 | 14,461 | 14,823 | 15,194 |

## GROSS INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vacancy Rate : Market</strong></td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td><strong>Vacancy Rate : Affordable</strong></td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td><strong>Less: Vacancy Loss</strong></td>
<td>69,727</td>
<td>71,470</td>
<td>73,257</td>
<td>75,088</td>
<td>76,966</td>
<td>78,890</td>
<td>80,862</td>
<td>82,884</td>
<td>84,956</td>
<td>87,079</td>
</tr>
<tr>
<td><strong>EFFECTIVE GROSS INCOME</strong></td>
<td>1,623,149</td>
<td>1,663,728</td>
<td>1,705,321</td>
<td>1,747,954</td>
<td>1,791,653</td>
<td>1,882,355</td>
<td>1,929,414</td>
<td>1,977,849</td>
<td>2,027,091</td>
<td>2,077,170</td>
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</tbody>
</table>

## OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Expense Increase</strong></td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>697,305</td>
<td>725,197</td>
<td>754,205</td>
<td>784,373</td>
<td>815,748</td>
<td>848,378</td>
<td>882,313</td>
<td>917,605</td>
<td>954,309</td>
<td>992,482</td>
</tr>
<tr>
<td><strong>Replacement Reserve</strong></td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
<td>56,029</td>
</tr>
<tr>
<td><strong>Annual Tax Increase</strong></td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td><strong>Taxes and Assessments</strong></td>
<td>12,190</td>
<td>12,434</td>
<td>12,682</td>
<td>12,936</td>
<td>13,195</td>
<td>13,459</td>
<td>13,728</td>
<td>14,002</td>
<td>14,282</td>
<td>14,568</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>765,524</td>
<td>793,660</td>
<td>822,916</td>
<td>853,338</td>
<td>884,972</td>
<td>920,667</td>
<td>954,871</td>
<td>990,438</td>
<td>1,027,422</td>
<td>1,065,880</td>
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</table>

## NET OPERATING INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET OPERATING INCOME</strong></td>
<td>857,625</td>
<td>870,068</td>
<td>882,405</td>
<td>894,616</td>
<td>906,681</td>
<td>915,777</td>
<td>927,484</td>
<td>938,976</td>
<td>950,227</td>
<td>961,210</td>
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## DEBT SERVICE

<table>
<thead>
<tr>
<th></th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
<th>Year 20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHFA - 1st Mortgage</strong></td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
</tr>
<tr>
<td><strong>CHFA - Bridge Loan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHFA - HAT Loan (amortizing)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **CASH FLOW after debt service** | 194,675 | 207,118 | 219,454 | 231,665 | 243,731 | 252,827 | 264,534 | 276,025 | 287,276 | 298,260 |
| **DEBT COVERAGE RATIO** | 1.29 | 1.31 | 1.33 | 1.35 | 1.37 | 1.38 | 1.40 | 1.42 | 1.43 | 1.45 |
| **MHP pymt** | 21,690 | 21,690 | 21,690 | 21,690 | 21,690 | 21,690 | 21,690 | 21,690 | 21,690 | 21,690 |
| **DEBT COVERAGE RATIO • MHP** | 1.25 | 1.27 | 1.29 | 1.31 | 1.32 | 1.34 | 1.35 | 1.37 | 1.39 | 1.40 |
## Cash Flow

### RENTAL INCOME

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Rent Increase</th>
<th>Affordable Rent Increase</th>
<th>Total Rental Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,151,451</td>
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<tr>
<td>2022</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,205,237</td>
</tr>
<tr>
<td>2023</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,260,368</td>
</tr>
<tr>
<td>2024</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,316,877</td>
</tr>
<tr>
<td>2025</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,374,799</td>
</tr>
<tr>
<td>2026</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,434,169</td>
</tr>
<tr>
<td>2027</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,495,024</td>
</tr>
<tr>
<td>2028</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,557,399</td>
</tr>
<tr>
<td>2029</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,621,334</td>
</tr>
<tr>
<td>2030</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2,686,867</td>
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### OTHER INCOME

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Income Increase</th>
<th>Laundry</th>
<th>Other Income</th>
<th>Total Other Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>2.50%</td>
<td>15,573</td>
<td>0</td>
<td>15,573</td>
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<tr>
<td>2022</td>
<td>2.50%</td>
<td>15,963</td>
<td>0</td>
<td>15,963</td>
</tr>
<tr>
<td>2023</td>
<td>2.50%</td>
<td>16,362</td>
<td>0</td>
<td>16,362</td>
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<tr>
<td>2024</td>
<td>2.50%</td>
<td>16,771</td>
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<td>16,771</td>
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<tr>
<td>2025</td>
<td>2.50%</td>
<td>17,190</td>
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<td>17,190</td>
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<tr>
<td>2026</td>
<td>2.50%</td>
<td>17,620</td>
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<td>17,620</td>
</tr>
<tr>
<td>2027</td>
<td>2.50%</td>
<td>18,060</td>
<td>0</td>
<td>18,060</td>
</tr>
<tr>
<td>2028</td>
<td>2.50%</td>
<td>18,512</td>
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<td>18,512</td>
</tr>
<tr>
<td>2029</td>
<td>2.50%</td>
<td>18,975</td>
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<td>18,975</td>
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<tr>
<td>2030</td>
<td>2.50%</td>
<td>19,449</td>
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<td>19,449</td>
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### GROSS INCOME

<table>
<thead>
<tr>
<th>Year</th>
<th>Vacation Rate</th>
<th>Less: Vacancy Loss</th>
<th>Effective Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>7.00%</td>
<td>89,256</td>
<td>2,077,768</td>
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<tr>
<td>2022</td>
<td>7.00%</td>
<td>91,488</td>
<td>2,129,712</td>
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<tr>
<td>2023</td>
<td>7.00%</td>
<td>93,775</td>
<td>2,182,955</td>
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<tr>
<td>2024</td>
<td>7.00%</td>
<td>96,119</td>
<td>2,237,529</td>
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<tr>
<td>2025</td>
<td>7.00%</td>
<td>98,522</td>
<td>2,293,467</td>
</tr>
<tr>
<td>2026</td>
<td>7.00%</td>
<td>100,986</td>
<td>2,350,804</td>
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<td>2027</td>
<td>7.00%</td>
<td>103,510</td>
<td>2,409,574</td>
</tr>
<tr>
<td>2028</td>
<td>7.00%</td>
<td>106,088</td>
<td>2,469,813</td>
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<tr>
<td>2029</td>
<td>7.00%</td>
<td>108,750</td>
<td>2,531,558</td>
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<tr>
<td>2030</td>
<td>7.00%</td>
<td>111,469</td>
<td>2,594,847</td>
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</table>

### OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Year</th>
<th>Annual Expense Increase</th>
<th>Expenses</th>
<th>Replacement Reserve</th>
<th>Annual Tax Increase</th>
<th>Taxes and Assessments</th>
<th>Total Expenses</th>
<th>Net Operating Income</th>
<th>Debt Coverage Ratio</th>
<th>MHP %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>4.00%</td>
<td>1,032,181</td>
<td>61,772</td>
<td>2.00%</td>
<td>14,859</td>
<td>1,108,813</td>
<td>968,955</td>
<td>1.48</td>
<td>21,690</td>
</tr>
<tr>
<td>2022</td>
<td>4.00%</td>
<td>1,073,468</td>
<td>61,772</td>
<td>2.00%</td>
<td>15,157</td>
<td>1,150,397</td>
<td>979,315</td>
<td>1.49</td>
<td>21,690</td>
</tr>
<tr>
<td>2023</td>
<td>4.00%</td>
<td>1,116,407</td>
<td>61,772</td>
<td>2.00%</td>
<td>15,460</td>
<td>1,193,639</td>
<td>989,316</td>
<td>1.51</td>
<td>21,690</td>
</tr>
<tr>
<td>2024</td>
<td>4.00%</td>
<td>1,161,063</td>
<td>61,772</td>
<td>2.00%</td>
<td>15,769</td>
<td>1,238,604</td>
<td>998,924</td>
<td>1.52</td>
<td>21,690</td>
</tr>
<tr>
<td>2025</td>
<td>4.00%</td>
<td>1,207,506</td>
<td>61,772</td>
<td>2.00%</td>
<td>16,084</td>
<td>1,285,362</td>
<td>1,008,105</td>
<td>1,013,731</td>
<td>1,021,940</td>
</tr>
<tr>
<td>2026</td>
<td>4.00%</td>
<td>1,255,806</td>
<td>61,772</td>
<td>2.00%</td>
<td>16,406</td>
<td>1,337,073</td>
<td>1,013,731</td>
<td>1,021,940</td>
<td>1,029,604</td>
</tr>
<tr>
<td>2027</td>
<td>4.00%</td>
<td>1,306,038</td>
<td>61,772</td>
<td>2.00%</td>
<td>16,734</td>
<td>1,387,633</td>
<td>1,029,604</td>
<td>1,029,604</td>
<td>1,036,676</td>
</tr>
<tr>
<td>2028</td>
<td>4.00%</td>
<td>1,358,280</td>
<td>61,772</td>
<td>2.00%</td>
<td>17,069</td>
<td>1,440,209</td>
<td>1,048,882</td>
<td>1,051,735</td>
<td>1,043,113</td>
</tr>
</tbody>
</table>

### DEBT SERVICE

<table>
<thead>
<tr>
<th>Year</th>
<th>CHFA - 1st Mortgage</th>
<th>CHFA - Bridge Loan</th>
<th>CHFA - HAT Loan (ammortizing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
</tr>
<tr>
<td>2022</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
</tr>
<tr>
<td>2023</td>
<td>662,950</td>
<td>662,950</td>
<td>662,950</td>
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### CASH FLOW after debt service

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### MHP pymt

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<tr>
<td>2030</td>
<td>21,690</td>
<td>1.52</td>
</tr>
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</table>
Victoria Family Housing
4901 San Pablo Avenue
Hercules, Contra Costa
Victoria Family Housing

Victoria Family Housing
4901 San Pablo Avenue
Hercules, Contra Costa
RESOLUTION 02-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Eden Housing, Inc., a California nonprofit public benefit corporation, on behalf of Eden Victoria Limited Partnership, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 132-unit multifamily housing development located in the City of Hercules to be known as Victoria Family Housing (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 2, 2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on April 15, 2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, including those set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

<table>
<thead>
<tr>
<th>PROJECT NUMBER</th>
<th>DEVELOPMENT NAME/ LOCALITY</th>
<th>NUMBER OF UNITS</th>
<th>MORTGAGE AMOUNT</th>
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</thead>
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<tr>
<td>02-006-N</td>
<td>Victoria Family Housing Hercules/Contra Contra</td>
<td>132</td>
<td>First Mortgage: $9,730,000</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Bridge Loan: $5,525,000</td>
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</tbody>
</table>
The Executive Director, or in his/her absence, either the Chief Deputy Director or
the Director of Multifamily Programs of the Agency is hereby authorized to increase the
mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%)
without further Board approval.

All other material modifications to the final commitment, including increases
in mortgage amount of more than seven percent (7%), must be submitted to this Board for
approval. "Material modifications" as used herein means modifications which, when
made in the discretion of the Executive Director, or in his/her absence, either the Chief
Deputy Director or the Director of Multifamily Programs of the Agency, change the legal,
financial or public purpose aspects of the final commitment in a substantial or material
way.

I hereby certify that this is a true and correct copy of Resolution 02-15 adopted at a duly
constituted meeting of the Board of the Agency held on June 6, 2002, at Sacramento,
California.

ATTEST: ______________________
Secretary
CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Fremont Oak Gardens
CHFA Loan #s 02-012-L - 02-012-N

SUMMARY:

This is a Final Commitment request for a tax-exempt, first mortgage loan in the amount of $2,700,000 at 3.00%, amortized over thirty years, and a $6,400,000 Lender Loan at 3.00%, interest only, for two years. Fremont Oak Gardens is a 51 unit, new-construction, special needs, senior project. The project will serve deaf seniors and is located at 2791 Driscoll Road in Fremont, in Alameda County.

PERMANENT LOAN TERMS:
First Mortgage Amount: $2,700,000
Interest Rate: 3.00%
Term: 30 year fixed, fully amortized
Financing: Tax-Exempt
Insurance: FHA/HUD Risk Share

LENDER LOAN TERMS:
Lender Loan Amount: $6,400,000
Interest Rate: 3.00%
Term: 2 years, interest only
Financing: Tax-Exempt

SPECIAL NEEDS LOAN TERMS:

The Agency will make a reduced interest rate permanent loan. An interest rate subsidy of $861,312 will be required to reduce the interest rate on the permanent loan from 5.75% to 3.00%. The permanent loan affords the Agency an opportunity to utilize federal funding sources to deepen project affordability.

LOCALITY INVOLVEMENT:

To date, the City of Fremont has loaned the project $1,560,000 for site acquisition. They have committed an additional $2,340,000, for a total permanent loan of $3,900,000. The City of Fremont loan will be at an interest rate of 3.00%, and have a forty-year term. It will be a residual receipt loan. The City of Pleasanton has agreed to loan the project $30,000 at 3.00% for thirty years. This is a residual receipts loan.
The City of Fremont has granted the project $210,000. The City of San Jose is reviewing a grant application for $80,000. The City of Hayward has granted the project $70,000. The City of Livermore has granted the project $15,000. Alameda County has agreed to grant the project $350,000. The Deaf Senior Community has raised $80,000 in grants for the project.

The Deaf Counseling and Referral Agency has agreed to provide a service coordinator position for deaf seniors at the project site. This position will be funded by the City of Fremont.

The site was purchased in a below-market transaction from the Episcopal Bishop of California.

**PROJECT DESCRIPTION:**

**A. Site Design**

The land is zoned P-2000-9 (Planned District). This planned district was created by the City of Fremont in 2000 to allow for residential development of a 51 unit housing senior complex on the subject 2.0 acre parcel. All required planning approvals have been obtained. The site currently is vacant. It slopes gently upward to the north and west. The site is located in Zone C of the Flood Insurance Rate Map (FIRM) an area of minimal flooding.

The site was recently subdivided from the four-acre parcel originally owned by St. Anne’s Episcopal Church. The new lot is flag shaped. The new buildings will be behind St. Anne’s Church and will not have any road frontage. A new access road will be constructed as part of the development. A Joint Use Access Roadway Easement was created to provide access by both property owners.

The back of property is directly adjacent to a railroad right of way. There are two tracks currently used for freight trains. Seven trains per day run on the far track and one per day runs on the nearest track. However, in the next several years all freight service will be moved to the nearest track, and the far track will be purchased by a commuter rail service. Additionally, a new track will be built for BART and the right of way usage is expected to intensify. The peak usage is anticipated to increase to 20 trains per day.

**B. Description**

The building complex consists of three, two-story, building that surround three interior courtyards. The complex will consist of 50 one bedroom and 1 two bedroom manager’s unit for a total of 51 units.

All units will open onto the courtyards. A second floor exterior walkway will provide access to the second floor units and provide clear sight lines to the courtyards. The unit
layouts will be designed to provide clear sight lines throughout the living spaces for deaf residents. The two smaller “residential” courtyards emphasize greenery, landscaping and gardens, and the “community courtyard” will be a paved area allowing for larger group gatherings. The laundry facility is located in the community building space with a view to the community courtyard. For the hearing impaired visual references are very important and the project has been designed with this in mind. There will be two elevators to facilitate circulation and ease of mobility throughout the complex.

The community building will be a single story structure located at the circular drive entry area. It will be the “front door” for the community. Totaling 3,600 square feet, the community building will have a reception area, an office area for management, an office for the service coordinator, a computer center, and a larger “living room” space for everyday residence congregation and activities. The drop off circle will provide quick, efficient and secure deliveries.

The structural system is a conventional wood frame system with slab on grade foundations and pre-fabricated roof truss system. The material palette is a combination of stucco and cement board siding with a composition shingle roof. Building height will be limited to 28 feet at the highest point of the roofs.

Special Design Features for the Deaf. The following additional design features and amenities will serve deaf specific needs, as well as provide for a light, spacious and open design feel for all residents. These include:

- All elements of the project (site layout, buildings, courtyards, exterior walkways, unit interior layouts, and enhanced lighting) are designed to enhance sight lines and facilitate visual connections and communications for deaf residents.
- Both elevators will contain large glass areas to allow for sign language communication in case of a malfunction.
- Strobes will be provided throughout the complex for emergency and life-safety alarm systems.
- Apartment doorbells will be wired to visual signals when doorbells are pressed.
- All units will be equipped with emergency call systems.
- Video camera entrance intercom technology will be provided for the residents.
- Text telephone lines (TTY) for the deaf will be installed at the entrance and in all units at no cost to the residents.
- Cable will be installed in all units to provide internet access for deaf residents.
- A computer learning center will be provided for the residents.

C. Project Location

The site is located in the Irvington District of the City of Fremont. The heart of the Irvington District is at the intersection of Washington and Fremont Boulevard, which is one-half mile from the proposed project. The Irvington District offers ample neighborhood shopping opportunities including a Safeway grocery and drug store,
restaurants, several fast food chains, several banks, and many neighborhood shops. The site is located one-third of a mile from the Mission Ranch Shopping Center, which is located at the intersection of Paso Padre and Driscoll Roads.

The project is located on Driscoll road which runs north east between Washington Boulevard and Mission Boulevard. The property abuts St. Anne's Episcopal Church on the east, the Church of Christ on the southeast, the railroad right-of-way on the west and a multifamily residential development on the north. The land to the south is a vacant open field. Across Driscoll Road is tract of single family detached homes built in the 1950's. The homes are well maintained, and include both entry level homes and newer executive level homes.

The site is well served by public transportation. AC Transit bus line #215 stops directly in front of the proposed project. Two other major bus lines stop at the nearby intersection of Washington Boulevard and Paseo Padre. In addition, the proposed new Irvington Bart Station will be located only a ½ mile from the site. The existing Fremont Bart Station is located 3 miles from the site.

The site is less than one mile from an entrance to Fremont Park which includes a Senior Multi-Service Center which provides an array of legal, medical, educational, recreational and meal services for seniors.

Kaiser Hospital, the health care provider of area deaf seniors due to their innovative health interpreter program, is located only 2.3 miles away. Washington Hospital is located less than 3 miles away. The California School for the Deaf and Ohlone Community College, a community that offers courses for deaf students and trains interpreters in American Sign Language, are both located less than 3 miles away.

**SPECIAL NEEDS PROGRAM:**

This project will provide 50 units of new permanent, supportive housing for low income and very low income deaf seniors.

As the deaf age, they become isolated from the larger deaf community due to a lack of transportation, money, and support systems. When deaf seniors enter a senior complex, assisted living facility or nursing home, they are often the only deaf resident. Living in an environment where they cannot communicate with anyone, they are vulnerable to rapid deterioration of health and general well being due to isolation, depression and loneliness.

**Social Service Program:**

To meet the needs of the deaf aging residents, and to allow them to age in place, the sponsors will provide on-site activities and services, as well as referrals to a broad range
of community resources. All services will be specifically targeted to the deaf. The social service program will include the following components:

- A full time service coordinator who will be fluent in American Sign Language (ASL).
- A property management staff fluent in ASL.
- Mental health services provided for the deaf.
- Assistance with medications by a pharmacist fluent in ASL.
- A grand parenting program.
- On site interpreters provided by the local community college.
- An interpreter program at Kaiser Hospital.
- An on site student nurse program to conduct health screenings.
- Nutrition Services.
- A “hearing dog” placement program.
- Money management and tax preparation assistance in ASL.
- A meals program provided by the City of Fremont.
- Social and recreational activities.
- Van transportation.
- Case management and crisis intervention services.
- Bereavement counseling services.
- Legal services.
- Employment skills classes at the local community college, including classes to train deaf residents in property management.
- Creation and staffing of a tenant’s association.

The Borrower has letters of intent from the following organizations to provide pro-bono social services for the deaf residents:

- St. Joseph’s Center for the Deaf
- Deaf Counseling, Advocacy, and Referral Agency
- California School for the Deaf
- Ohlone College Interpreter Preparation Program
- Gallaudet University Regional Center, Ohlone College
- Washington Hospital Healthcare System
- Legal Assistance for Seniors
- Deaf and Disabled Telecommunications Program
- Alameda County Social Services Agency
- Canine Companions for Independence
- The San Francisco SPCA Hearing Dog Program
- The Tax Signs
- City of Fremont Multi-Service Senior Center
- Saint Anne’s Episcopal Church
- Saint Benedict Parish

May 21, 2002
MARKET:

A. Market Overview

The San Francisco Bay Area is the 4th largest metropolitan area in the U.S. Regional and employment growth has been strong in the past 30 years. The City of Fremont is on the southeasterly side of the San Francisco Bay and at the Southern end of Alameda County. It was founded in 1956 and had a population of 203,600 in 1999. The city is a diverse community with a broad industrial base, extensive commercial uses and sprawling residential tracts throughout the city.

The subject neighborhood is defined as the Irvington District. The Irvington District shares schools with the Mission San Jose District, which has the best schools in the city. It is a popular section of Fremont in which to live, and is convenient to the employment centers in the Silicon Valley. The area is an extension north of the strong high tech industry in Santa Clara to the south.

B. Market Demand

There is a critical need for affordable senior housing for the deaf community in the San Francisco Bay Area. The deaf community has grown in the Bay Area since the California School for the Deaf moved to Fremont in 1980. The concentration of deaf residents in Fremont is higher than is typical for an urban community of its size.

The Borrowers had market study prepared by Gerontological Services, Inc. in May of 1997. That study found that:

- The deaf senior population in the Bay Area in 1996 was 15,000, of which 3,737 lived in Alameda County. There were 10,000 deaf senior households, of which 2,491 lived in Alameda County.
- There was more than adequate market demand for this project. They identified demand for 127 to 167 independent living units for deaf seniors in the Bay Area and for 251 units if the market area was defined as California. The greatest demand was for individuals with incomes of $25,000 or less.
- The market area for deaf senior housing is much higher than in other types of senior housing. While the deaf prefer to live in their own communities, the demand for deaf housing is so strong, that deaf seniors will overcome barriers of distance and consider moving far from friends and family.
Generally the occupancy rates existing for deaf senior housing is high. Facilities which are for deaf seniors only are more successful that those which accept the hearing.

Those who have hearing impairments tend to be less educated and have lower incomes than the hearing population.

The deaf tend to be concentrated in urban locations.

The elderly are more likely than any other group to be deaf. It is estimated that 2.5% of the elderly are deaf.

Males are more likely to be hearing impaired than females, and this trend increases with age.

Interest in moving to Fremont for deaf seniors is very strong when compared to other markets, and is also strong for all geographic regions.

Most of the deaf senior housing facilities surveyed had some kind supportive services. The need for services among deaf seniors is higher that among the general senior population because of the need for interpreters in activities of daily living.

The most needed services for deaf seniors are group activities, assistance with activities of daily living like interpreting bills, health services, assistance with accessing existing services in the community, advice on mediations, transportation, and daily TDD/TTY checks on the residents well being.

Market Data supplied by the City of Fremont indicated that in the year 2000 the average rental rate for a one-bedroom apartment was $1,503. Recent rental information supplied by the City of Fremont Office of Housing Services indicates a weakening of the rental market in 2001 with one-bedroom apartments renting for $900 to $1,400. Information supplied by area appraisers indicated a further weakening in 2002 with one-bedroom rents at $900 to $1,200. CHFA used $900 for purposes of this report.

C. Housing Supply

There are no retirement housing facilities in Northern California that are specifically for the deaf. There is one facility in Southern California, a HUD independent living facility. There are only a few similar facilities in the United States.
PROJECT FEASIBILITY:

This project includes much needed senior units designed to attract deaf seniors.

<table>
<thead>
<tr>
<th>Rent Level</th>
<th>Subject Project</th>
<th>Estimated Mkt. Rate Avg.</th>
<th>Difference</th>
<th>% of Market</th>
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<td>30%</td>
<td>$518</td>
<td>$382</td>
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<td>50%</td>
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<td>60%</td>
<td>$798</td>
<td>$102</td>
<td>89%</td>
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B. Estimated Lease-Up Period

Housing is in short supply in Fremont, and the demand for housing for deaf seniors is high. The rent-up period for the units is expected to be four months or less.

OCCUPANCY RESTRICTIONS:

CHFA: 40% of the units (20) will be restricted to 50% or less of median income.

TCAC: 100% of the units (50) will be restricted to 60% or less of median income.

Fremont: 48% of the units (24) will be restricted to 50% or less of median income.

The HOME and CDBG grant restrictions for the various cities has not been finalized, but all of the other cities have agreed that they will look to the CHFA, Fremont and TCAC regulatory requirements.

ENVIRONMENTAL:

A Phase I Environmental Site Assessment was prepared on May 21, 2001 by Subsurface Consultants, Inc. No conditions were identified that would result in a recognized environmental condition and no further investigations or assessment activities were recommended.

Acoustical and vibration studies were conducted by Nigel Breitz Acoustics in 1999. The site plan and building design have incorporated all of the findings of the acoustical study, and some of the findings from the vibration study in order to mitigate concerns raised by passing trains. Mitigations include thickening the concrete pad under the buildings to reduce vibrations, building a sound wall adjacent to the right of way; locating the carports and parking area adjacent to the railroad tracks and sound wall to buffer noise; and installing baffled vents in the units adjacent to the parking area to allow ventilation when

May 21, 2002
the windows are closed. The seismic report has been ordered, but has not yet been received. The final commitment will include the condition that the seismic report and vibration mitigation plan be acceptable to the Agency.

ARTICLE 34:

A satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

A. Borrower’s Profile

The borrower will be Deaf Senior Retirement Corporation, a new 501(c) (3) corporation whose members are Satellite Senior Homes and the Bay Area Coalition of Senior Deaf Citizens.

Satellite Senior Homes is a community based non-profit housing organization established by the Oakland Council of Churches in 1966, with the goal of addressing the unmet housing and service needs of the city’s low-income seniors. Satellite Senior Homes owns and manages 16 facilities for low-income seniors and disabled adults, serving over 1200 tenants, all of which were funded under either the HUD Section 202 or HUD Section 236 programs. Ten of Satellite’s buildings are located in Oakland. The other six buildings are located in Berkeley, Walnut Creek, Newark, and Pittsburgh.

The Bay Area Coalition of Senior Deaf Citizens (BACSDC) was incorporated in 1996, and has over 500 members. It was formed to create housing opportunities for deaf senior citizens. As people who have been active in the deaf community throughout their lives, the leaders of the BACSDC have extensive ties to the California School for the Deaf and deaf service provision agencies.

B. Contractor

The project will be constructed by with James E. Roberts – Obayashi Corporation. James E. Roberts – Obayashi Corporation has been the contractor on 42 projects completed residential projects with a total of 2,593 units. They have been in business since 1932. They have been involved in this project since 1999. They have supplied the cost estimation information for the project costs and have worked with the civil engineers, Brian Kangus Faulk, to supply the cost estimation information for the offsite costs.
C. Architect

Van Meter Williams Pollack is the architect on the project. They partnered with Martinez Amador, a Southern California firm that has a deaf architect on staff, to design this project. They have designed nine multifamily housing projects to date; one of which is in Fremont.

D. Management Agent

Satellite Senior Homes will manage the project. They currently manage self-manage all 16 of their projects in California. Satellite Senior Homes places a strong emphasis on supportive housing to help senior’s age in place and help disabled residents reach their full potential. Their supportive services department has a staff of eight service providers and a Director of Services.
## Project Summary

**Project Profile:**

- **Project:** Fremont Oak Gardens
- **Location:** 2791 Driscoll Road, Fremont, 94539
- **County:** Alameda
- **Borrower:** Affiliate LP of Satellite Senior Homes
  - GP: Deaf Senior Retirement Corp.
  - LP: TBD
- **Appraiser:** Cameghi, Bautovich MAI
- **Cap Rate:** TBD
- **Market:** TBD
- **Estimated Value:** 4,080,000
- **Program:** Special Needs * Seniors
- **CHFA #:** 02012L & 02012N

**Financing Summary:**

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<th>Description</th>
<th>Amount (in $)</th>
<th>Per Unit</th>
<th>Rate</th>
<th>Term</th>
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<tr>
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<td>Alameda County HOME Grant</td>
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**Unit Mix:**

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**Fees, Escrows, and Reserves:**

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<td>Operating Expense Reserve</td>
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<td>Inspection Fee</td>
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<td>Construction Defect Reserve</td>
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<td>Utility Stabilization Reserve</td>
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## Sources and Uses

### Sources:

<table>
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<td>CHFA First Mortgage</td>
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### Uses:

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<td>New Construction</td>
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<td>Const. Loan Interest &amp; Fees</td>
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<td>Local Fees</td>
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<td>TCAC/Impact Fees/Other Costs</td>
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## Annual Operating Budget

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<td>Total Rental Income</td>
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<td>Commercial/Retail</td>
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<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td>396,811</td>
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<td><strong>Less:</strong></td>
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<tr>
<td>Vacancy Loss</td>
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<td><strong>EXPENSES:</strong></td>
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<td>Mortgage Payments (1st loan)</td>
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### Net Operating Income and Debt Service

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**Total Expenses**

- Operating Expenses
- Capital Expenditures
- Depreciation and Amortization
- Other Operating Expenses

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**Effective Gross Income**

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**Other Income**

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# Cash Flow

## RENTAL INCOME

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<th>Year 13</th>
<th>Year 14</th>
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<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
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<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
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<tr>
<td><strong>Affordable Rent Increase</strong></td>
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<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
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<td>2.50%</td>
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<tr>
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<td>594,668</td>
<td>609,535</td>
<td>624,773</td>
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<td>500,274</td>
<td>512,781</td>
<td>525,600</td>
<td>538,740</td>
<td>552,209</td>
<td>566,014</td>
<td>580,164</td>
<td>594,668</td>
<td>609,535</td>
<td>624,773</td>
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## OTHER INCOME

<p>| | | | | | | | | | | |</p>
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</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
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<td>7,457</td>
<td>7,606</td>
<td>7,759</td>
<td>7,914</td>
<td>8,072</td>
<td>8,233</td>
<td>8,398</td>
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## GROSS INCOME

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<th>533,206</th>
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<td>5.00%</td>
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<td>5.00%</td>
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</tr>
<tr>
<td><strong>Vacancy Rate: Affordable</strong></td>
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<td>5.00%</td>
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<tr>
<td>Less: Vacancy Loss</td>
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<td>26,012</td>
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<td>27,325</td>
<td>28,006</td>
<td>28,704</td>
<td>29,420</td>
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<td>519,174</td>
<td>532,116</td>
<td>543,381</td>
<td>558,978</td>
<td>572,913</td>
<td>587,196</td>
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## OPERATING EXPENSES

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<td>14,057</td>
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<tr>
<td><strong>Annual Tax Increase</strong></td>
<td>2.00%</td>
<td>2.00%</td>
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<td>673</td>
<td>686</td>
<td>700</td>
<td>714</td>
<td>728</td>
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<td>336,462</td>
<td>349,345</td>
<td>363,447</td>
<td>377,361</td>
<td>391,873</td>
<td>406,943</td>
<td>422,617</td>
<td>438,655</td>
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</table>

## NET OPERATING INCOME

|                      | 170,044 | 170,152 | 170,004 | 169,828 | 168,669 | 168,000 | 167,105 | 165,970 | 164,579 | 162,180 |

## DEBT SERVICE

<p>| | | | | | | | | | | |</p>
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<tbody>
<tr>
<td>CHFA - Bridge Loan</td>
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<td>CHFA - 2nd Mortgage</td>
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<td>Cash flow after CHFA loan</td>
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<td>33,228</td>
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<td>Year23</td>
<td>Year24</td>
<td>Year25</td>
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<td>706,874</td>
<td>724,545</td>
<td>742,659</td>
<td>761,226</td>
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<td>799,763</td>
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<td><strong>OTHER INCOME</strong></td>
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<td></td>
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<td>2.00%</td>
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<td>2.00%</td>
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<td>9,090</td>
<td>9,272</td>
<td>9,458</td>
<td>9,647</td>
<td>9,840</td>
<td>10,036</td>
<td>10,237</td>
<td>10,442</td>
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<td>0</td>
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<tr>
<td>TOTAL OTHER INCOME</td>
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<td>9,090</td>
<td>9,272</td>
<td>9,458</td>
<td>9,647</td>
<td>9,840</td>
<td>10,036</td>
<td>10,237</td>
<td>10,442</td>
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<td>716,520</td>
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<td>752,898</td>
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<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Vacancy Rate: Affordable</td>
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<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
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<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
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<tr>
<td>Less: Vacancy Loss</td>
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</tr>
<tr>
<td>Annual Expense Increase</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
<td>4.00%</td>
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<tr>
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<td>495,352</td>
<td>515,166</td>
<td>535,772</td>
<td>557,203</td>
<td>579,491</td>
<td>602,671</td>
<td>626,778</td>
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<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
<td>15,161</td>
</tr>
<tr>
<td>Annual Tax Increase</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
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<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
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<td>Taxes and Assessments</td>
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<td>758</td>
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<td>820</td>
<td>837</td>
<td>853</td>
<td>871</td>
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<td>596,617</td>
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<td>148,452</td>
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<td>CHFA - 1st Mortgage</td>
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<td>136,600</td>
<td>136,600</td>
<td>136,600</td>
<td>136,600</td>
<td>136,600</td>
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<tr>
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</tr>
<tr>
<td>Cash flow after CHFA loan</td>
<td>23,633</td>
<td>21,383</td>
<td>18,810</td>
<td>15,899</td>
<td>11,852</td>
<td>8,201</td>
<td>4,149</td>
<td>(327)</td>
<td>(5,254)</td>
<td>(10,644)</td>
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<tr>
<td>DCR CHFA Loan</td>
<td>1.17</td>
<td>1.16</td>
<td>1.14</td>
<td>1.12</td>
<td>1.09</td>
<td>1.06</td>
<td>1.03</td>
<td>1.00</td>
<td>0.96</td>
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</table>
Fremont Oak Gardens

2791 Driscoll Road
Fremont, Alameda
RESOLUTION 02-16
RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Satellite Senior Homes, Inc., a California nonprofit public benefit corporation, on behalf of Deaf Senior Retirement Corporation, a new 501(c)(3) corporation (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 51-unit multifamily housing development located in the City of Fremont to be known as Fremont Oak Gardens (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 21, 2002 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on May 21, 2002, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

I. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

<table>
<thead>
<tr>
<th>PROJECT NUMBER</th>
<th>DEVELOPMENT NAME/ LOCALITY</th>
<th>NUMBER OF UNITS</th>
<th>MORTGAGE AMOUNT</th>
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<tbody>
<tr>
<td>02-012-N</td>
<td>Fremont Oak Gardens Fremont/Alameda</td>
<td>51</td>
<td>First Mortgage: $2,700,000 Loan-to-Lender: $6,400,000</td>
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</table>
2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) and modify the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 02-16 adopted at a duly constituted meeting of the Board of the Agency held on June 6, 2002, at Sacramento, California.

ATTEST: ____________________
Secretary
State of California

MEMORANDUM

To: Board of Directors

From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: AUTHORIZATION FOR NEW BOND INDENTURE
RESOLUTION 02-17

Attached for the Board's consideration are the following: (1) Resolution 02-17 amending the January financing resolutions 02-01 and 02-02, and (2) the form of a new indenture (comprised of a general indenture and a series indenture) intended to be used for a variety of purposes, including the financing of downpayment assistance loans. Such an indenture is needed so that non-traditional loan products or other assets may be financed with bonds; however, the form of the indenture is flexible enough so that our more traditional single family and multifamily loans could also be financed. The CHFA general obligation may be pledged if needed to support the bonds.

We currently hold in our Housing Assistance Trust $41 million of downpayment assistance loans originated under the Agency's California Homebuyer's Assistance Program. Another $7 million of similar loans are held in portfolio in support of CaHLIF mortgage insurance programs. The new CHFA Five-Year Business Plan targets $40 million of new combined downpayment assistance lending from CHFA resources in fiscal year 2002-03 and a total of $136 million of such lending over the five-year period of the plan even if the voters approve the issuance of State bonds to fund downpayment assistance.

As described in the new Business Plan, staff recommends that subordinate loans for downpayment assistance be funded with borrowed moneys rather than directly with CHFA's liquid reserves. Use of borrowed moneys will enable CHFA to better leverage its financial resources and provide for the expanded programs outlined in the Business Plan. CHFA's general Obligation will be pledged to bonds issued to finance downpayment assistance loans, and our issuer credit ratings of Aa3 from Moody's Investors Service and AA- from Standard & Poor's should give bond investors the same confidence to purchase these bonds as other CHFA bonds backed by our G.O. Currently outstanding are a total of $832 million of other CHFA bonds backed by our general obligation and not further secured by additional credit enhancement such as bond insurance.

Downpayment assistance loans typically feature low rates of simple interest (without compounding) and deferral of all interest payments until the underlying first mortgages are paid off. Obviously these kinds of loans will not, by themselves, provide a predictable stream of revenues sufficient to support payments to bondholders. Payments on CHFA bonds issued to finance downpayment assistance loans will be made from CHFA net

Bd of Directors-June 02 Mtg/dlc
revenues that normally would have been earmarked for deposit into the HAT fund for direct lending. Use of these moneys instead to pay principal and interest on bonds will provide for leveraging of our resources so that the volume goals of the Business Plan may be met more efficiently.

As a separate matter and as noted in the new Business Plan, we have begun discussions of a financial partnership with a major local issuer of single family mortgage revenue bonds -- the Southern California Home Financing Authority ("SCHFA"), a joint powers authority formed by Orange and Los Angeles Counties. Under the proposed partnership, we would provide the financial backing for one or more issues of SCHFA bonds and borrow their bond proceeds in exchange for a CHFA bond. Our bonds would have interest rates and terms similar to theirs and provide the credit enhancement for their bonds. CHFA loans funded from these proceeds will of course have been originated for homes located within the two counties. Use of this new form of indenture would enable us to provide our Aa3/AA- (Moody's/S & P) issuer credit ratings to the transaction.

This form of cooperation with local issuers of mortgage revenue bonds is specifically authorized in State law. In addition, ever since we implemented this authority in 1997 to provide for a similar cooperative effort with another joint powers authority, we have included authorizing language in the annual financing resolutions approved by the Board each January.

Attachments
RESOLUTION NO. 02-17

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY TO FACILITATE THE SINGLE FAMILY HOUSING PROGRAM OF THE AGENCY AND THE MULTIFAMILY HOUSING PROGRAM OF THE AGENCY BY AMENDING RESOLUTION NO. 02-01 AND RESOLUTION NO. 02-02 TO AUTHORIZE THE ISSUANCE OF BONDS UNDER A NEW FORM OF INDENTURE

WHEREAS, the California Housing Finance Agency (the “Agency”) has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs to make loans for the permanent financing of such residences;

WHEREAS, the Agency has determined that there exists a need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (together with the programs described in the second WHEREAS clause of this resolution, the “Program”) to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such developments; and

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the California Health and Safety Code, the Agency has the authority to issue bonds (including notes and other evidences of indebtedness) to provide sufficient funds to finance the Program;

WHEREAS, on January 10, 2002 the Agency adopted its Resolution No. 02-01 and its Resolution No. 02-02 authorizing the issuance of bonds to provide funds to finance the Program;

WHEREAS, the Agency has determined that in order to provide additional funds to finance the Program it is in the public interest to authorize additional bonds to be issued pursuant to a proposed form of indenture not previously approved by the Agency;

WHEREAS, the bonds proposed to be issued by the Agency under an indenture or indentures in such form may be limited obligations of the Agency payable solely from certain amounts on deposit under the indenture relating thereto or may be general obligations of the Agency; and
WHEREAS, the Agency now desires to amend Resolution No. 02-01 and Resolution No. 02-02 to authorize the issuance of the bonds and to approve a new form of indenture under which the Agency may issue such bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. Approval of Form of Indenture. In order to authorize the execution and delivery of one or more indentures providing for the issuance of and securing bonds:

(A) Section 3 of Resolution No. 02-01 is hereby amended to move the words “and/or” from immediately before subsection (i) thereof to immediately after such subsection (i) and to add thereafter a new subsection (j) to read as follows:

“(j) the form of indenture presented to the June 6, 2002 meeting of the Agency”; and

(B) Section 3 of Resolution No. 02-02 is hereby amended to move the word “or” from immediately before subsection (a)(18) thereof to immediately after such subsection (a)(18) and to add thereafter a new subsection (a)(19) to read as follows:

“(a)(19) the form of indenture presented to the June 6, 2002 meeting of the Agency”.

Section 2. Approval of Form of Supplemental Indenture. In order to authorize the execution and delivery of one or more supplemental indentures providing for the issuance of and securing bonds:

(A) The first sentence of Section 4 of Resolution No. 02-01 is hereby amended and restated to read as follows:

“For each series of Bonds, the Executive Director and the Secretary of the Board (the “Secretary”) are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, a supplemental indenture (a “Supplemental Indenture”) pertaining to such series in substantially the form of the respective supplemental indentures previously executed and delivered or approved or in the form presented to the June 6, 2002 meeting of the Agency, each with such changes therein as the officers executing the same approve upon consultation with the Agency’s legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.”

(B) The first sentence of subsection (b) of Section 3 of Resolution No. 02-02 is hereby amended and restated to read as follows:

“For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series
of Bonds, a supplemental indenture (a “Supplemental Indenture”) pertaining to such series in substantially the form of any supplemental indenture or series indenture executed in connection with any of the Prior Indentures or in the form presented to the June 6, 2002 meeting of the Agency, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency’s legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.”

Section 3. Ratification of Prior Actions. All actions previously taken by the officers of the Agency in connection with the issuance of draw down bonds are hereby approved and ratified.
SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution 02-17 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 6th day of June, 2002, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 6th day of June, 2002.

[SEAL]

______________________________
Thomas C. Hughes
Secretary of the Board of Directors
of the California Housing Finance Agency
SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution 02-17 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 6th day of June, 2002, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of _______________________

[SEAL]

________________________________________
Thomas C. Hughes
Secretary of the Board of Directors
of the California Housing Finance Agency
CALIFORNIA HOUSING FINANCE AGENCY

TO

[NAME OF TRUSTEE],
AS TRUSTEE

GENERAL INDENTURE

dated as of _________ 1, 20__.

securing

CALIFORNIA HOUSING FINANCE AGENCY
[NAME OF BONDS]
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This GENERAL INDENTURE, dated as of ___________ 1, 20__, by and between the CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California (herein called the “Agency”), and [NAME OF TRUSTEE], a national banking association duly organized and existing under the laws of the United States of America and being qualified to accept and administer the trusts hereby created, as trustee (herein called the “Trustee”);

WITNESSETH:

WHEREAS, the Agency has been created by the Zenovich-Moscone-Chacon Housing and Home Finance Act (constituting Division 31 of the Health and Safety Code of the State of California), as amended (herein called the “Act”), primarily for the purpose of assisting in meeting the housing needs of persons and families of low or moderate income;

WHEREAS, the Agency has determined to borrow money for its lawful purposes and to that end has duly authorized the issuance of its bonds hereunder, and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, and the observance of the covenants and conditions herein contained, has authorized the execution and delivery of this Indenture;

WHEREAS, said bonds are to be issued hereunder and designated as the “California Housing Finance Agency [NAME OF BONDS]” (herein called the “Bonds”), from time to time, in an aggregate principal amount not limited except as hereinafter provided;

WHEREAS, all acts and proceedings required by law and by the Act, including all actions requisite on the part of the Agency, its Board of Directors, its members and its officers necessary to make the Bonds, when executed by the Agency, authenticated and delivered by or on behalf of the Trustee and duly issued, the valid, binding and legal obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized; and

WHEREAS, the Bonds and the forms of the certificate of authentication and registration and the assignment to appear thereon, shall be prescribed in indentures supplemental hereto;

NOW, THEREFORE, THIS GENERAL INDENTURE WITNESSETH:

That the Agency in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, and of other good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of, premium, if any, and interest on all Bonds Outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the Agency of all the covenants expressed or implied herein and in the Bonds, does hereby pledge and assign unto the Trustee, acting on behalf of the Bondholders, and unto its successors and assigns forever subject to the rights granted the Agency herein to direct the use and application of moneys, including the release of moneys free from the lien of this Indenture, under the terms and conditions set forth herein (all terms not previously defined shall have the meanings provided in Section 1.1):

GRANTING CLAUSE FIRST

All right, title and interest of the Agency in and to the proceeds derived from the sale of the Bonds until used as set forth herein: and

GRANTING CLAUSE SECOND

All right, title and interest of the Agency in and to the Revenues and all moneys and securities in all Funds and Accounts from time to time held under the terms of this Indenture (except moneys and securities in the
Rebate Account and any Bond Purchase Fund) and investments, if any, thereof (other than the Rebate Requirement, which is to be deposited in the Rebate Account); and

GRANTING CLAUSE THIRD

All right, title and interest of the Agency in and to the Mortgage Loans, the right to make a claim for, collect and receive Revenues payable to or receivable by the Agency, to bring actions and proceedings under the Mortgage Loans or for the enforcement thereof, and to do any and all things which the Agency is or may become entitled to do under the Mortgage Loans; and

GRANTING CLAUSE FOURTH

All proceeds of mortgage insurance and guaranty benefits, if any, related to Mortgage Loans received by the Agency under the Program; and

GRANTING CLAUSE FIFTH

All moneys and securities and all other rights of every kind and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Agency or by anyone on its behalf, or with its written consent.

TO HAVE AND TO HOLD all of the same, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trusts and assigns forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds from time to time issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds except as provided herein or, to the extent permitted herein, in a Series Indenture:

PROVIDED, HOWEVER, that if the Agency, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the interest and premium, if any, due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Revenue Fund as required under the Indenture or shall provide, as permitted by Article XII, for the payment thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee, the Bond Registrar, the Paying Agent and all agents of any of them for the registration, authentication, transfer or exchange of Bonds, all sums of money due or to become due to it or them in accordance with the terms and provisions hereof, then the Indenture and the rights hereby granted shall cease, determine and be void; otherwise the Indenture to be and remain in full force and effect.

THIS GENERAL INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and the property hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Agency has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds, as follows:
ARTICLE I
DEFINITIONS, CONSTRUCTION, BOND CONTRACT AND PLEDGE

Section 1.1 Definitions. As used in this General Indenture and, except as otherwise specified, by each Series Indenture, unless the context otherwise shall require, the following terms shall have the following respective meanings:

“Account” or “Accounts” means one or more of the special trust accounts created and established pursuant to this Indenture.

“Accountant” means any certified public accountant or firm of public accountants (who may be the accountant or a member of the firm of accountants who regularly audits the books and accounts of the Agency) from time to time selected by the Agency.

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

“Acquired Development Account” means the Account so designated which is created and established by Section 5.1.

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

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

“Acquisition Account” means the Account so designated, which is created and established in the Program Fund by Section 5.1.

“Accreted Value” means, with respect to any particular Bond as of any given date of calculation, an amount equal to the sum of (i) the principal amount of such Bond, plus (ii) any interest that has been compounded, i.e., any interest amount that is itself then bearing interest, all determined as of such date.

“Act” means the Zenovich-Moscone-Chacon Housing and Home Finance Act, constituting Division 31 of the Health and Safety Code of the State, and all laws supplementary thereto and amendatory thereof.

“Additional Bonds” means Bonds authenticated and delivered pursuant to Section 2.2 or 2.3.

“Agency” means the California Housing Finance Agency, created pursuant to the Act, and any successor to the rights, duties and obligations of the Agency hereunder and under the Act.

“Agency Certificate” means a document signed by an Authorized Officer either (a) attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (b) setting forth matters to be determined by such Authorized Officer pursuant to this Indenture.

“Agency Payment Account” means any Account so designated which is created and established with respect to General Obligation Bonds in accordance with Section 5.1.

“Agency Request” means a written request or direction of the Agency signed by an Authorized Officer.
"Aggregate Principal Amount" means, as of any date of calculation for any particular Bonds, the principal amount or Accreted Value of such Bonds, as specified by the related Series Indenture.

"Amortized Value" means, when used with respect to an Investment Obligation purchased at a premium above or at 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 Investment Obligation was purchased by the number of days remaining to the first call date (if callable) or the maturity date (if not callable) of such Investment Obligation 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 an Investment Obligation purchased at a premium, by deducting the product thus obtained from the purchase price and (b) in the case of an Investment Obligation purchased at a discount, by adding the product thus obtained to the purchase price.

"Authorized Officer" means the Chairperson, the Executive Director, a Deputy Director or the Director of Financing of the Agency, any person designated, in writing, by the Chairperson, the Executive Director, a Deputy Director or the Director of Financing as an Authorized Officer, or any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder.

"Bond or "Bonds" means any of the California Housing Finance Agency [NAME OF BONDS] authorized and issued under this Indenture, including any Additional Bonds or Refunding Bonds.

"Bond Counsel" means any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed from time to time by the Agency.

"Bond Payment Date" means, for any particular Bonds, each date on which interest or a Principal installment or both are payable on any of such Bonds, and unless limited, means all such dates.

"Bond Purchase Fund" means a Fund so designated, which is created and established by a Series Indenture.

"Bond Registrar" means the Treasurer or any bank, trust company or national banking association, if and to the extent appointed as Bond Registrar under Section 9.1, and having the duties, responsibilities and rights provided for in the Indenture and its successor or successors, and any other Person at any time substituted in its place as Bond Registrar pursuant to the Indenture.

"Bond Year" means, with respect to any given Bonds, the twelve-month period designated as such by the related Series Indenture, except that the first Bond Year for any Bonds may commence on the date of issuance thereof and end on such date as may be specified by such Series Indenture.

"Bondholder" or "Holder" or "Holder of Bonds" or "Owner" or similar term, when used with respect to a Bond or Bonds, means the registered owner of any Outstanding Bond.

"Borrower" means the owner of a Development and the direct or indirect obligor on a Borrower Loan.

"Borrower Loan" means a loan made, purchased or otherwise acquired with the proceeds of Bonds, with the proceeds of a Lender Loan or through a Mortgage-Backed Security, for the construction or permanent financing of one or more Developments, and for which the obligation to repay is evidenced by a Note and secured by one or more Deeds of Trust, or a participation in such a loan.

"Business Day" means any day (a) on which banks in the State of New York or in the cities in which the respective principal offices of the Paying Agent, the Bond Registrar and the Trustee are located are not required or authorized by law to be closed and (b) on which the New York Stock Exchange is open.

"Chairperson" means the Chairperson of the Board of Directors of the Agency.

“Compound Interest Bonds” means any Bond of a Series, tenor and maturity so designated in the related Series Indenture, for which certain determinations hereunder are made on the basis of Accreted Value rather than principal amount.

“Corporate Trust Office” means, when used with respect to any Fiduciary, the corporate trust office of such Fiduciary at which at any particular time the Indenture is being administered; provided, however, for transfer, registration, exchange, payment and surrender of Bonds, such term means care of the corporate trust office or such other office designated by the Trustee from time to time.

“Cost of Issuance” means the items of expense payable or reimbursable directly or indirectly by the Agency and other costs incurred by the Agency, all related to the authorization, sale and issuance of Bonds and the establishment of the Program, which costs and items of expense shall include, but not be limited to, underwriters’ compensation, printing costs, costs of developing, reproducing, storing and safekeeping documents and other information processing or storage of materials, equipment and software related to the Bonds, filing and recording fees, travel expenses incurred by the Agency in relation to such issuance of Bonds or for the Program, initial fees and charges of the Trustee, the Bond Registrar and the Paying Agent, initial premiums with respect to insurance required by the Indenture to be paid by the Agency or by the Trustee, legal fees and charges, professional consultants’ fees, accountants’ fees, costs of bond ratings, and fees and charges for execution, transportation and safekeeping of the Bonds.

“Cost of Issuance Account” means the Account so designated, which is created and established within the Program Fund by Section 5.1.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys (who may be counsel to the Agency or an attorney or firm of attorneys retained by the Agency in other connections) licensed to practice in the state in which such attorney or firm of attorneys maintains an office, selected from time to time by the Agency.

“Covenant Default” means an Event of Default specified in paragraph 7.1(f).

“Debt Service Fund” means the Fund so designated which is created and established by Section 5.1.

“Debt Service Payment” means, when used with respect to any Bond Payment Date, the sum of the (a) interest, if any, and (b) Principal Installments, if any, due and payable on such date with respect to the Bonds referred to.

“Debt Service Reserve Fund” means the Fund so designated, which is created and established by Section 5.1.

“Debt Service Reserve Fund Requirement,” with respect to each Series, shall have the meaning set forth in the related Series Indenture.

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

“Defaulted Loan” means any Multifamily Loan described in an Agency Certificate and stated to be in default in accordance with its terms.

“Defeasance Obligations” means Investment Obligations that (a) are described in clause (i) of the definition of “Investment Obligations” in this Section 1.1 and (b) are not subject to redemption by the issuer thereof prior to their maturity.
“Depository” means any bank, trust company, or savings and loan association (including any Fiduciary) selected by the Agency and approved by the Trustee as a depository of moneys, Mortgage Loans or Investment Obligations held under the provisions of this Indenture, and its successor or successors.

“Development” means any residential structure, housing development, multifamily rental housing or mobile home park (as those terms are used in the Act), financed by one or more Multifamily Loans made, purchased or otherwise acquired with the proceeds of Bonds.

“Deputy Director” means a Deputy Director of the Agency.

“Director of Financing” means the Director of Financing of the Agency.

“Escrow Payment” means all payments made by or on behalf of the obligor of a Mortgage Loan in order to obtain or maintain mortgage insurance or guaranty coverage of, and fire and other hazard insurance with respect to, a Mortgage Loan, and any payments required to be made with respect to such loan for taxes, other governmental charges and other similar charges required to be escrowed under the Mortgage.

“Event of Default” means any of those events defined as Events of Default by Section 7.1.

“Executive Director” means the Executive Director of the Agency.

“Fiduciary” or “Fiduciaries” means the Trustee, the Bond Registrar, the Paying Agent or a Depository or any or all of them, as may be appropriate.

“Fiduciary Expenses” means the fees and expenses of Fiduciaries, except Servicing Fees payable to such Persons.

“Fiscal Year” means a period beginning on July 1 in any year and ending June 30 of the immediately succeeding year or such other twelve month period as may be adopted by the Agency in accordance with law.

“Fund” or “Funds” means one or more of the special trust funds created and established pursuant to this Indenture.

“General Obligation Bond Default” means the event specified in Section 8.1.

“General Obligation Bonds” means Bonds designated as such in the Series Indenture pursuant to which such Bonds are issued. General Obligation Bonds are secured by and payable from moneys, rights and interests pledged therefor in Section 1.4 and additionally secured by a pledge of the full faith and credit of the Agency and payable out of the Agency’s other revenues or moneys legally available therefor, subject only to agreements made or to be made with holders of notes or bonds pledging particular revenues or moneys for the payment thereof and subject to the Agency’s right at any time to apply such other revenues and moneys to any other lawful purpose of the Agency.

“Government” means the United States of America and any agency or instrumentality thereof.

“Hedging Instrument” means any interest rate, currency or cash-flow swap agreement, interest rate cap, floor or option agreement, forward payment conversion agreement, put, call or other agreement or instrument to hedge payment, interest rate, spread or similar exposure; which in each case is designated by the Agency as a Hedging Instrument hereunder. Each Hedging Instrument shall meet the requirements of Section 6.15.

“Home” means real property and improvements thereon consisting of a single dwelling unit and which is owned by a Mortgagor who occupies or intends to occupy such unit, including a condominium unit or a unit in a cooperative housing corporation (as defined in Section 216 of the Code) where the occupant is a tenant-stockholder (as defined in Section 216 of the Code).
"Home Improvement Loan" means a loan for the financing of rehabilitation or repairs and improvements to a Home, which is evidenced by a note or other instrument and which is also secured by a deed of trust or mortgage if the original principal amount is in excess of an amount established by the Agency, and which is made pursuant to and in accordance with the Act and the Program.

"Home Mortgage" means a loan, or a portion of or participation in a loan, theretofore, or thereupon being, purchased or made by the Agency with respect to a Home pursuant to and in accordance with the Act and the Program, from moneys in the Program Fund, evidenced by a note and secured by a Mortgage.

"Indenture" means this General Indenture authorized, executed and issued by an Authorized Officer and any amendments or supplements made in accordance with its terms, including all Series Indentures and Supplemental Indentures.

"Interest Payment Date" means, for any particular Bonds, any date upon which interest on such Bonds is due and payable in accordance with the related Series Indenture.

"Interest Reserve Account" means the Account so designated, which is created and established within the Debt Service Reserve Fund by Section 5.1.

"Investment Obligations" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Agency's funds:

(a) Direct obligations of, or obligations which are guaranteed by the full faith and credit of, the United States of America;

(b) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following, provided that they are backed by the full faith and credit of the United States of America: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association (excluding mortgage strip securities, principal strips valued greater than par and interest obligation strips); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association; Federal Financing Bank; or Federal Housing Administration;

(c) Repurchase agreements with depositories, acting as principal or agent, for securities described in (a) and (b) above (if such securities are delivered to the Trustee or are supported by a safekeeping receipt issued by a qualified Depository (A) rated by each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency or (B) collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency in order to maintain the then current rating on any Bonds then rated by such Rating Agency;

(d) 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, in each case, fully secured as to the payment of both principal and interest by requisition or payment agreement with the United States of America and having a rating from each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency;

(e) General obligations of Investment Providers under investment agreements approved in a Series Indenture or other investment agreements having substantially similar terms;

(f) Units of a money market fund comprised solely of obligations guaranteed by the full faith and credit of the United States of America which fund is rated by each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency;
(g) Certificates of deposit, interest-beating time deposits, or other similar banking arrangements, including investment agreements, with a bank or banks (i) rated by each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency or (ii) collateralized in such manner to meet all requirements for collateralized agreements of each Rating Agency in order to maintain the then current rating on any Bonds then rated by such Rating Agency;

(h) Units of a money market mutual fund which has a rating from each Rating Agency sufficiently high to maintain the then current rating on any Bonds then rated by such Rating Agency;

(i) Deposits in the Surplus Money Investment Fund referred to in Section 51002 of the Act; and

(i) Any other securities, if and to the extent the same are at the time legal for investment of any of the Agency’s funds.

“Investment Providers” means any commercial bank or trust company, bank holding company, investment company, insurance company or other entity (which may include the Trustee, the Bond Registrar or the Paying Agent), whose unsecured long-term debt rating by each Rating Agency then rating the Bonds is sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or the equivalent of such rating by virtue of guarantees or insurance arrangements, which Investment Providers shall be approved by the Agency for the purpose of providing investment agreements.

“Investment Revenues” means amounts earned on investments (other than Mortgage Loans) credited to any Fund or Account pursuant to the indenture (including gains upon the sale or disposition of such investments), except the Rebate Requirement.

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

“Lender Loan” means a loan made by the Agency to a Lender to finance one or more Borrower Loans, or a participation in such a loan made to a Lender.

“Mortgage” means a deed of trust, mortgage or other similar instrument or instruments creating a lien, subject only to ad valorem real estate taxes and assessments, on real property and the improvements thereon securing a Home Mortgage, or, in the case of a Mortgage related to a cooperative housing corporation (as defined in Section 216 of the Code), creating a security interest in the Mortgagor’s stock perfected by possession.

“Mortgage-Backed Security” means a pass-through certificate, mortgage participation certificate or other mortgage-backed security issued by or in the name of, and guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association or the Government National Mortgage Association or, in each case, any successor federally sponsored association or agency, registered or recorded in book-entry form in the name of the Trustee or the Agency, and backed by or representing an undivided interest in one or more Borrower Loans, or a participation interest in any of the foregoing types of securities.

“Mortgage Lender” means a bank, trust company, savings and loan association, mortgage banker or other financial institution authorized to transact business in the State and deemed eligible by the Agency to participate as a seller of Mortgage Loans to the Agency or to service Mortgage Loans for the Agency, or the Agency to the extent permitted by law.

“Mortgage Loan” means a Single Family Loan or a Multifamily Loan.

“Mortgage Purchase Agreement” means a written agreement between a Mortgage Lender and the Agency providing for the purchase of a Mortgage Loan by the Agency, including any related supplements and any documents incorporated by reference therein.
“Mortgage Repayments” means, with respect to any Mortgage Loan, the amounts received by or for the account of the Agency as scheduled payments of principal and interest on such Mortgage Loan by or on behalf of the Mortgagor and does not include Prepayments, Servicing Fees or Escrow Payments.

“Mortgage Revenues” means all Revenues other than Investment Revenues.

“Mortgagor” means the maker of, and any other party obligated on, a note in connection with the acquisition or rehabilitation of a Home through the borrowing of money pursuant to a Mortgage Loan.

“Multifamily Loan” means a Borrower Loan or a Lender Loan or a Mortgage-Backed Security.

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

“Note” means an instrument evidencing a Borrower’s obligation to repay a Borrower Loan.

“Notice Parties” means the Agency, the Trustee, the Bond Registrar and the Paying Agent.

“Outstanding” means, when used with respect to all Bonds as of any date, all Bonds theretofore authenticated and delivered under this Indenture except:

(a) any Bond cancelled or delivered to the Bond Registrar for cancellation on or before such date;

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under this Indenture and set aside for such payment or redemption, moneys and/or Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Defeasance Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with this Indenture or provided for in a manner satisfactory to the Bond Registrar;

(c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to this Indenture; and

(d) any Bond deemed to have been paid as provided in Section 12.2.

“Paying Agent” means the bank, trust company or national banking association, appointed as Paying Agent under Section 9.1 and having the duties, responsibilities and rights provided for in the Indenture and its successor or successors, and any other corporation or association at any time substituted in its place as Paying Agent pursuant to the Indenture.

“Person” means an individual, partnership, corporation, trust or unincorporated organization or a government or any agency, instrumentality, program, account, fund, political subdivision or corporation thereof.
“Prepayment” means any moneys received or recovered by or for the account of the Agency from any unscheduled payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan, but excluding any Servicing Fees with respect to the collection of such moneys) on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (a) by voluntary prepayment made by the mortgagor or (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof or (c) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Agency or (d) in the event of a default thereon by the mortgagor, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Agency or by any other proceedings taken by the Agency.

“Principal Installment” means, as of any date of calculation, and for any Bond Payment Date, (a) the principal amount or Accreted Value of all Bonds due and payable on such date, plus (b) any Sinking Fund Installments due and payable on such date.

“Program” means the Agency’s Program pursuant to which the Agency has determined to in accordance with the Act and the Indenture.

“Program Documents” means the various agreements between the Agency and pursuant to which the Agency in accordance with the Program, as such Program Documents now exist as they may exist at any time in the future.

“Program Expenses” means all the Agency’s expenses of administering the Program under the Indenture and the Act and shall include without limiting the generality of the foregoing; salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus (including information processing equipment), software, insurance premiums, legal, accounting, management, consulting and banking services and expenses, Fiduciary Expenses, Costs of Issuance not paid from proceeds of Bonds, payments to pension, retirement, health and hospitalization funds and any other such expenses required or permitted to be paid by the Agency.

“Program Fund means the Fund so designated, which is created and established by Section 5.1.

“Rating Agency” means, at any particular time, any nationally recognized credit rating service designated by the Agency, if and to the extent such service has at the time one or more outstanding ratings of Bonds. The Agency shall at all times have designated at least one such service as a Rating Agency hereunder.

“Rebate Account” means the Account so designated, which is created and established in the Revenue Fund by Section 5.1.

“Rebate Requirement” means the amount of arbitrage profits earned from the investment of gross proceeds of Tax-Exempt Bonds in nonpurpose investments described in Section 148(f)(2) of the Code and defined as “Rebate Amount” in Section 1.148-3 of the Treasury Regulations, which is payable to the United States at the times and in the amounts specified in such provisions.

“Record Date” means, except as otherwise provided in a Series Indenture, with respect to each Bond Payment Date, the Bond Registrar’s close of business on the fifteenth day of the month immediately preceding such Bond Payment Date or, if such date is not a Business Day, the next preceding day which is a Business Day (the Business Day next preceding such Bond Payment Date in the case of Short Term Bonds bearing interest at a rate adjusted weekly); and, in the case of each redemption, such Record Date shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than fifteen (15) calendar days before the mailing of such notice of redemption.

“Redemption Fund” means the Fund so designated, which is created and established by Section 5.1.
“Redemption Price” means, when used with respect to a Bond or portion thereof to be redeemed, the principal amount or Accreted Value of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof as determined by the Series Indenture authorizing the related Series of Bonds.

“Refunding Bonds” means Additional Bonds authenticated and delivered pursuant to Section 2.3.

“Related” (whether capitalized or not) means, with respect to any particular Bond, Series, Series Indenture, Supplemental Indenture, Fund, Account, Mortgage Loan, Mortgage Repayment or Prepayment, having been created in connection with the issuance of, or having been derived from the proceeds of, or having been reallocated to the same Series, as the case may be.

“Revenue Account” means the Account so designated, which is created and established in the Revenue Fund by Section 5.1.

“Revenue Fund” means the Fund so designated, which is created and established by Section 5.1.

“Revenues” means (1) with respect to Single Family Loans (a) all Mortgage Repayments, Prepayments and, except insofar as such payments may constitute Servicing Fees, any penalty payments on account of overdue Mortgage Repayments with respect thereto, (b) Investment Revenues with respect thereto, (c) all other payments and receipts received by the Agency with respect thereto, but shall not include (i) Escrow Payments, (ii) Servicing Fees, unless such fees are specifically pledged to the Trustee, (iii) any commitment, reservation, extension, or application fees charged by the Agency in connection with a Single Family Loan or Mortgage Purchase Agreement, (iv) any commitment, reservation, extension or application fees charged by a Mortgage Lender in connection with a Single Family Loan or (v) accrued interest received in connection with the purchase of any Investment Obligations; (2) with respect to Multifamily Loans, amounts received by the Agency or the Trustee (a) as or representing payment or recovery of the principal of or interest on any Multifamily Loan, including, without limiting the generality of the foregoing, scheduled payments of principal and interest on any Loan and paid from any source (including both timely and delinquent payments and any late charges) and Multifamily Loan principal prepayments, (b) any fees paid with respect to any Multifamily Loan and expressly designated for deposit under this Indenture, (c) amounts paid under any Deed of Trust or other Multifamily Loan Document as damages or reimbursement of expenses or otherwise, (d) all Acquired Development Receipts, (e) all amounts so designated by any Series Indenture and required by such Series Indenture to be deposited in the Revenue Account, but shall not include (i) any amounts representing reimbursement to the Agency of advances of principal or interest or expenses incurred by the Agency in connection with the collection or recovery of principal of, or interest on, or other amounts due under, any Loan, (ii) the proceeds of hazard insurance to the extent used to repair or rebuild a damaged Development, (iii) servicing fees, insurance premiums, closing fees, finance charges, administrative fees, commitment fees or other similar fees, premiums or charges imposed by the Agency, (iv) amounts deposited in an Agency Payment Account; and (3) such other amounts as may be determined by the Agency and pledged pursuant to a Series Indenture or a Supplemental Indenture, which amounts may include amounts received by the Agency or the Trustee under any Hedging Instrument.

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

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

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

“Series” means and refers to all of the Bonds designated as such in the related Series Indenture, regardless of variations in dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to this General Indenture and the related Series Indenture.

“Series Indenture” means a Supplemental Indenture authorizing a Series and delivered pursuant to Section 10.1.

“Servicing Fees” means (a) any fees paid to or retained by a Mortgage Lender in connection with the servicing obligations undertaken by the Mortgage Lender in accordance with the related Mortgage Purchase Agreement and (b) any fees retained by the Agency with respect to Mortgage Loans owned and serviced by the Agency.

“Short Term Bond Proceeds Account” means the Account so designated, which is created and established in the Program Fund by Section 5.1.

“Short Term Bond Sinking Fund Installment” means the amount designated for any particular due date for the retirement of Short Term Bonds, as set forth in the related Series Indenture, which amount may be, conditioned upon the transfer of sufficient moneys to the Short Term Bond Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to Section 3.7.

“Short Term Bonds” means (i) Bonds the interest rate on which is not fixed to maturity and which are designated as Short Term Bonds, provided that upon Conversion of such Bonds to Bonds the interest rate on which is fixed to maturity, such Bonds shall be designated as Short Term Bonds only to the extent provided in the related Series Indenture or conversion Supplemental Indenture, and (ii) Bonds the interest rate on which is fixed to a short-term maturity, the proceeds of which will not be used to purchase Mortgage Loans prior to such maturity, and which are designated Short Term Bonds.

“Single Family Loan” means a Home Mortgage or a Home Improvement Loan.

“Sinking Fund Installment” means the amount designated for any particular due date in the related Series Indenture for the retirement of Bonds on an unconditional basis, less any amount credited pursuant to Section 3.7.

“Special Redemption Account” means the Account so designated, which is created and established in the Redemption Fund by Section 5.1.

“State” means the State of California.

“Supplemental Indenture” means any supplemental indenture (including a Series Indenture) approved by the Agency in accordance with Article X amending or supplementing the Indenture.

“Tax-Exempt Bonds” means Bonds the interest on which is intended to be excluded from gross income of the owner thereof for federal income tax purposes.

“Tax-Exempt Status” means the exclusion of interest on any of the Tax-Exempt Bonds from the gross income of the recipient thereof for federal income tax purposes.

“Taxable Bonds” means Bonds the interest on which is not intended to be excluded from gross income of the owner thereof for federal income tax purposes.
“Term Bonds” means Bonds for which Sinking Fund Installments have been established as provided in the related Series Indenture.

“Treasurer” means the duly elected and acting Treasurer of the State, including such person or persons as he or she shall lawfully designate to act on his or her behalf in connection with the General Indenture.

“Trustee” means the bank, trust company or national banking association, appointed as trustee under Section 9.1 and having the duties, responsibilities and rights provided for in the Indenture and its successor or successors, and any other corporation or association at any time substituted in its place as Trustee pursuant to the Indenture.

“Unrelated” (whether capitalized or not) means not “related,” within the meaning of that term as defined in this Section.

Section 12 Construction. In this Indenture, unless the context otherwise requires:

Words importing the singular number shall mean and include the plural number and vice versa.

Any Fiduciary shall be deemed to have received delivery of and to hold an Investment Obligation in which moneys are invested pursuant to the provisions of this Indenture, even though such Investment Obligation is evidenced only by a book entry or similar record of investment.

Articles and Sections specified in this General Indenture by number only are the respective Articles and Sections of this General Indenture so numbered.

References in this General Indenture to particular sections of the Code, the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignations for codification purposes.

The terms “receipt,” “received,” “recovery,” “recovered” and any similar terms, when used in the Indenture with respect to moneys or payments due the Agency, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Agency, the Trustee, or the Paying Agent on its behalf.
Section 1.3 Indenture Constitutes a Contract: Obligation of Indenture and Bonds. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Indenture by those who shall own the same from time to time, the Indenture shall be deemed to be and shall constitute a contract among the Agency, the Trustee, the Bond Registrar, the Paying Agent and the Owners from time to time of the Bonds; the pledge of certain Funds, Accounts, Revenues and other moneys, rights and interests made in the Indenture and the covenants and agreements set forth in the Indenture to be performed by and on behalf of the Agency shall be for the equal and ratably benefit, protection and security of the Holders of any and all of the Bonds, all of which regardless of the time or times of their issue or maturity shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof, except as expressly provided in or permitted by the Indenture. Unless otherwise specified in a Series Indenture, the Bonds shall be special limited obligations of the Agency payable solely from the moneys, rights and interest pledged therefor in Section 1.4. Except as provided herein and in related Series Indentures with respect to General Obligation Bonds, the Agency shall not be required to advance for any purpose of this Indenture any moneys derived from any source other than the Revenues and other assets pledged under this Indenture. Nevertheless, the Agency may, but shall not be required to, advance for such purpose any moneys of the Agency which may be available for such purpose. None of the Bonds shall constitute a debt or liability of the State of California or any political subdivision thereof.

Section 1.4 Pledge Effected by Indenture. There are hereby pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of this Indenture, and the Trustee, as trustee on behalf of the Bondholders, is hereby granted an express lien on, the proceeds of the Bonds, the Revenues, all moneys and securities in the Funds and Accounts (other than in the Rebate Account) created by or pursuant to the Indenture, including the investments thereof (if any), the rights and interest of the Agency in and to the Mortgage Loans, and any and all other property of any kind from time to time hereafter pledged as additional security under the Indenture by a Series or Supplemental Indenture, by delivery or by writing of any kind by the Agency or by any person on its behalf; subject in all cases to the provisions of this Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture; provided, however, that moneys and investments held in an Agency Payment Account are pledged solely for the payment of Principal Installments and Redemption Price of and interest on General Obligation Bonds of the related Series and are not pledged to pay principal and Redemption Price of and interest on any other Bonds; and provided, further, that moneys and securities held in a subaccount of the Short Term Bond Proceeds Account may be pledged by the related Series Indenture solely, or as a first priority, for the payment of the related Short Term Bonds as set forth in the related Series Indenture.

Section 1.5 State Pledge. In accordance with the Act, the following pledge is included herein:

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

ARTICLE II
AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.1 Authorization of Bonds: Additional Bonds. In order to provide sufficient funds for the purposes set forth in this Indenture and upon satisfaction of the conditions contained in Section 2.2 or 2.3, Bonds may be issued hereunder, without limitation as to amount except as may be provided herein or by law, from time to time, in one or more Series pursuant to a Series Indenture or Indentures; provided, however, that such Bonds may be issued only to provide funds for the following purposes: (a) to make deposits in amounts, if any, required or authorized by the Series Indenture to be paid into Funds or Accounts established herein or in the Series Indenture and (b) to refund Bonds issued hereunder or other bonds or obligations of the Agency.

The Bonds shall be designated as "[NAME OF BONDS]." and in addition to the name "[NAME OF BONDS]," each Series shall include such further appropriate particular designation, added to or incorporated in
such title, as the Agency may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

**Section 2.2 Conditions Precedent to Delivery of Bonds.** The Bonds shall be executed by the Agency for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Agency or upon its order, but only upon receipt by the Trustee of the following:

(a) An original executed copy of the Series Indenture authorizing such Bonds, which Series Indenture shall specify:

(i) the purpose or purposes for which such Series is being issued, which shall be one or more of the purposes listed in Section 2.1;

(ii) the Series designation or designations of such Bonds, the date or dates, and the maturity date or dates, of such Bonds, each of which maturity dates shall fall upon an Interest Payment Date;

(iii) the amount of Bonds and the amount of each maturity of such Bonds;

(iv) the interest rate or rates of such Bonds or the manner of determining such rate or rates and the Interest Payment Dates therefor, if any;

(v) the denomination of, and the manner of dating and numbering such Bonds;

(vi) the Record Dates, the place or places of payment of the principal or Redemption Price or Prices, if any, and the manner of payment of interest on, such Bonds;

(vii) the Redemption Price or Prices, if any, of and, subject to the provisions of Article III, the redemption order and terms for such Bonds;

(viii) the amount and due date of each Sinking Fund Installment, if any, for such Bonds of like tenor and maturity, but the due date of each such Sinking Fund Installment shall fall upon an Interest Payment Date;

(ix) the amounts to be deposited in the Funds and Accounts created and established by this General Indenture and the Series Indenture authorizing such Bonds;

(x) the Debt Service Reserve Fund Requirement applicable to such Series and the timing and method of funding such requirement;

(xi) the amount available for Costs of Issuance with respect to such Bonds;

(xii) any limitations on Program Expenses with respect to such Bonds;

(xiii) any limitations or requirements with respect to Mortgage Loan interest rates, Mortgage Loan purchase prices and mortgage insurance;

(xiv) whether and the extent to which any such Bonds are to be General Obligation Bonds;

(xv) if so determined by the Agency, provisions for the sale, tender and/or remarketing of such Bonds;

(xvi) the designation of any related Hedging Instruments; and
(xvii) any other provisions deemed advisable by the Agency that are either (A) not in conflict with the provisions hereof or (B) necessary in the opinion of Bond Counsel for such Bonds to be Tax-Exempt Bonds.

(b) An opinion of Bond Counsel, dated the date of delivery thereof, to the effect that: (i) such Series Indenture has been duly executed and delivered by the Agency; (ii) the Indenture creates a valid pledge of the Revenues and of moneys held in the Funds and Accounts established thereunder (other than funds held in the Rebate Account or a Bond Purchase Account), subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such opinion, and in accordance with the Indenture;

(c) A written order as to the delivery of such Bonds, signed by an Authorized Officer;

(d) A certificate of an Authorized Officer stating that the Agency is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture, except that such certificate need not be provided with respect to the initial series of Bonds; and

(e) Such further documents, including investment agreements, and moneys as are required by the provisions of the related Series Indenture.

Section 2.3 Conditions Precedent to Delivery of Refunding Bonds.

(a) All Refunding Bonds shall be executed by the Agency for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Agency or upon its order, but only upon the receipt by the Trustee of:

(i) The documents and moneys, if any, referred to in paragraphs (a), (b), (c), (d) and (e) of Section 2.2;

(ii) Irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the bonds to be refunded and the payment or redemption date or dates, if any, upon which such bonds are to be paid or redeemed;

(iii) If the bonds to be refunded are to be redeemed subsequent to the next succeeding forty-five days, irrevocable instructions to the Trustee to mail notice of redemption of such bonds on a specified date prior to their redemption date;

(iv) Either (A) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the bonds to be refunded, together with accrued interest on such bonds to the due date or redemption date, or (B) Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the trustee or paying agent or escrow agent for the bonds to be refunded will be sufficient to pay when due the applicable principal or redemption price of the bonds to be refunded, together with accrued interest on such bonds to the redemption date or redemption dates or date of maturity thereof, which moneys or Defeasance Obligations shall be held by the trustee or paying agent or escrow agent for the bonds to be refunded in a separate account irrevocably in trust for and assigned to the owners of the bonds to be refunded; and

(v) Such further documents and moneys as are required by the provisions of the related Series Indenture.

(b) Neither Defeasance Obligations nor moneys deposited with the trustee or paying agent or escrow agent for the bonds to be refunded pursuant to paragraph (a)(iv) of this Section nor principal or interest
payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than the payment of the applicable principal or redemption price of the bonds to be refunded, together with accrued interest on such bonds to the redemption date, and any cash received from such principal or interest payments, if not needed for such purpose, may be applied to the payment of any obligation issued to provide funds for the acquisition of such Defeasance Obligations, but otherwise shall, to the extent practicable, be reinvested in such Defeasance Obligations as are described in clause (B) of said paragraph maturing at times and in amounts sufficient to pay when due the principal or applicable redemption price of such bonds, together with such accrued interest.

Section 2.4 Ratings. Notwithstanding any other provision of Sections 2.2 and 2.3, so long as there are Outstanding Bonds rated by a Rating Agency, the Agency, as a condition to issuing Additional Bonds or Refunding Bonds (including Bonds issued or to be issued on a forward purchase basis) will obtain a written confirmation from such Rating Agency that the issuance of such Bonds will not result in the lowering or withdrawal of its then current rating, if any, on any Outstanding Bonds.

Section 2.5 Rating Information. In order to facilitate ratings or the confirmation or maintenance of ratings, the Agency agrees to provide each Rating Agency with whatever information it reasonably requests on a timely basis, including, but not limited to notice of appointment of new trustees and substitution of providers of investment agreements. If the Agency draws upon the Debt Service Reserve Fund to pay Principal Installments or interest on the Bonds or if amounts in a subaccount of the Debt Service Reserve Fund is reduced below the related Debt Service Reserve Fund Requirement, the Agency will immediately notify each Rating Agency of such fact if the Bonds are then rated by such Rating Agency.

Section 2.6 Form of Bonds and Certificate of Authentication. The forms of Bonds and the Bond Registrar’s Certificate of Authentication shall be substantially as set forth in each Series Indenture.

Section 2.7 Legends. The Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable and as may be determined by the Agency prior to their authentication and delivery.

Section 2.8 Execution and Authentication.

(a) The Bonds shall be executed in the name of the Agency by the manual or facsimile signature of its Executive Director and its corporate seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of any Authorized Officer of the Agency, other than the officer executing the Bonds. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been delivered by the Bond Registrar, such Bonds may, nevertheless, be delivered as herein provided and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond may be signed and sealed on behalf of the Agency by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper offices in the Agency although at the date borne by the Bonds such persons may not have been so authorized or have held such offices.

(b) No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under the Indenture unless there shall be endorsed on such Bond a certificate of authentication in the form set forth in the related Series Indenture, duly executed by the manual signature of an authorized officer of the Bond Registrar and setting forth the date of authentication, and such certificate of the Bond Registrar upon any Bond executed on behalf of the Agency shall be conclusive evidence that the Bond so authenticated has been duly issued under the Indenture and that the Holder thereof is entitled to the benefits of this Indenture.
Section 2.9 Interchangeability of Bonds. All Bonds, upon surrender thereof at the Corporate Trust Office of the Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered Holder or his duly authorized attorney, may be exchanged, at the option of the registered Holder thereof, for an equal aggregate principal amount of Bonds of the same interest rate, series, designation, and maturity of any other authorized denominations.

Section 2.10 Negotiability, Transfer and Registry. All the Bonds issued under the Indenture shall be negotiable, subject to the provisions for registration and transfer contained in the Indenture and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Agency shall maintain and keep, at the Corporate Trust Office of the Bond Registrar, books for the registration and transfer of Bonds, and, upon presentation thereof for such purpose at such Corporate Trust Office, the Agency shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Bond Registrar may prescribe, any Bond. As long as any of the Bonds remain Outstanding, the Agency shall make all necessary provisions to permit the exchange of Bonds at the Corporate Trust Office of the Bond Registrar.

Section 2.11 Transfer and Payment of Bonds.

(a) Each Bond shall be transferable only upon the registration books of the Bond Registrar, by the Holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof at the Corporate Trust Office of the Bond Registrar together with a written instrument of transfer, satisfactory to the Bond Registrar, duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any Bond, the Agency shall execute and the Bond Registrar shall authenticate, specify the date of authentication and deliver, in the name of the transferee, one or more new Bonds of the same aggregate principal amount, designation, Series, tenor, maturity and rate of interest as the surrendered Bond.

(b) The Agency, the Trustee, the Paying Agent and the Bond Registrar may treat the registered Holder of any Bond as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal, Redemption Price of and interest on such Bond and for all other purposes whatsoever, and payment of the principal, Redemption Price of and interest on any such Bond shall be made only to, or upon the order of, such registered Holder. All such payments to such registered Holder shall be valid and effectual to satisfy and discharge the liability of the Agency upon such Bond to the extent of the sum or sums so paid, and neither the Agency, the Trustee, the Paying Agent nor the Bond Registrar shall be affected by any notice to the contrary.

Section 2.12 Regulations with Respect to Exchanges and Transfers. All Bonds surrendered in any exchanges or transfers shall be canceled forthwith by the Bond Registrar. For every such exchange or transfer of Bonds, whether temporary or definitive, the Agency or the Bond Registrar shall make a charge sufficient to reimburse it or them for their reasonable fees and expenses in connection with such exchange or transfer and any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Holder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Except for costs incurred in connection with the initial delivery of Bonds, the Agency or the Bond Registrar may charge for the cost, if any, of preparing any new Bond upon such exchange or transfer and may charge reasonable fees and expenses of the Bond Registrar. Neither the Agency nor the Bond Registrar shall be obligated to issue, exchange or transfer any Bond during a period beginning at the opening of business on any Record Date next preceding an Interest Payment Date and ending at the close of business on such Interest Payment Date, issue, exchange or transfer any Bond during a period beginning at the opening of business on the Record Date next preceding any selection of Bonds to be redeemed and ending on the date of the mailing of notice of such redemption, or transfer or exchange any Bonds called or being called for redemption in whole or in part.

Section 2.13 Mutilated, Destroyed, Lost and Stolen Bonds.

(a) If (i) any mutilated Bond is surrendered at the Corporate Trust Office of the Bond Registrar, or the Bond Registrar and the Agency receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the Bond Registrar and the Agency such security or indemnity as may be required
by them to save each of them harmless, then (in the absence of notice to the Bond Registrar or the Agency that such
Bond has been acquired by a bona fide purchaser for value without notice) the Agency shall execute, and upon
Agency Request, the Bond Registrar shall authenticate and deliver, in exchange for any such mutilated Bond, or in
lieu of any such destroyed, lost or stolen Bond, a new Bond of like principal amount, Series, tenor and maturity,
bearing a number not contemporaneously Outstanding. The Bond Registrar thereupon shall cancel any such
mutilated, destroyed, lost or stolen Bond. In case any such mutilated, destroyed, lost or stolen Bond has become or
is about to become due and payable, the Agency in its discretion and instead of issuing a new Bond, may direct the
Paying Agent to pay such Bond upon receipt of indemnity satisfactory to the Paying Agent.

(b) As a condition precedent to the issuance of any new Bond under this Section 2.13, the Agency
or the Bond Registrar may require the payment of a sum sufficient to cover any tax, fee or other governmental
charge that may be imposed in relation thereto, and any other expenses, including counsel fees and costs of
preparing a new Bond, of the Agency or the Bond Registrar incurred in connection therewith.

(c) Each new Bond issued pursuant to this Section 2.13 in lieu of any destroyed, lost or stolen
Bond, shall constitute an additional contractual obligation of the Agency, and shall be entitled to all the benefits of
this Indenture equally and proportionately with any and all other Bonds duly issued under the Indenture unless the
Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for
value without notice. In the event the Bond alleged to have been destroyed, lost or stolen shall be enforceable by
anyone, the Agency may recover the substitute Bond from the Bondholder to whom it was issued or from anyone
taking under the Bondholder except a bona fide purchaser for value without notice. All Bonds shall be held and
owned upon the express condition that the provisions of this Section 2.13 are exclusive with respect to the
replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude (to the extent lawful) any
and all other rights or remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen
Bonds, notwithstanding any law or statute existing or hereinafter enacted to the contrary with respect to the
replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.14 Cancellation and Destruction of Bonds. The Bond Registrar shall destroy all Bonds
surrendered to it for cancellation and shall deliver a certificate to that effect to the Agency. No such Bonds shall be
deemed Outstanding under the Indenture, and no Bonds shall be issued in lieu thereof.

Section 2.15 Payments Due on Other than Business Days. In any case where the date of payment of
interest on or Principal Installments of the Bonds or the date fixed for redemption of any Bonds would not be a
Business Day, then payment of interest on or Principal Installments or Redemption Price of the Bonds need not be
made on such date but may be made on the next succeeding Business Day with the same force and effect as if made
on such date of payment or such date fixed for redemption, and no interest shall accrue for the period from and after
such date.

Section 2.16 Authorization and Preparation of Temporary Bonds.

(a) Until definitive Bonds are prepared, the Agency may execute and, upon Agency Request, the
Bond Registrar shall authenticate and deliver temporary Bonds (which may be typewritten, printed or otherwise
reproduced) in lieu of definitive Bonds subject to the same provisions, limitations and conditions as definitive
Bonds. The temporary Bonds shall be dated as of the initial date of such definitive Bonds, shall be in such
denomination or denominations and shall be numbered as prepared and executed by the Agency, shall be
substantially of the tenor of such definitive Bonds, but with such omissions, insertions and variations as the officer
executing the same in his discretion may determine, and may be issued in the form of a single Bond.

(b) Without unreasonable delay after the issuance of temporary Bonds, if any, the Agency shall
cause definitive Bonds to be prepared, executed and delivered to the Bond Registrar. The definitive Bonds shall be
lithographed or printed on steel engraved borders or prepared in such other fashion as is acceptable in the investment
banking business. Temporary Bonds shall be exchangeable for definitive Bonds upon surrender to the Bond
Registrar at its Corporate Trust Office (or any additional location designated by the Bond Registrar) of any such
temporary Bond or Bonds, and upon such surrender, the Agency shall execute and, upon Agency Request, the Bond
Registrar shall authenticate and deliver to the Holder of the temporary Bonds or Bonds, in exchange therefor, a like
principal amount of definitive Bonds in authorized denominations or maturity payment amounts and forms. Until so exchanged, the temporary Bonds shall be entitled in all respects to the same benefits as definitive Bonds authenticated and issued pursuant to the Indenture.

(c) All temporary Bonds surrendered in exchange for a definitive Bond or Bonds forthwith shall be canceled by the Bond Registrar.

Section 2.17 Book-Entry System. Bonds may be issued as certificated Bonds or as book-entry bonds under a book-entry system as specified in the related Series Indenture.

ARTICLE III
REDEMPTION AND TENDER OF BONDS

Section 3.1 Authorization of Redemption and Tender. Bonds are subject to redemption prior to maturity, upon notice as provided in this Article III, at such times, at such Redemption Prices and upon such other terms as may be specified in this General Indenture and in the related Series Indenture authorizing such Bonds. Bonds may be subject to mandatory and optional tender upon such terms as may be specified in the related Series Indenture.

Section 3.2 Notice of Redemption.

(a) When any Bonds are to be redeemed, the Bond Registrar shall cause notice of any redemption of Bonds hereunder to be mailed by first class mail or such other manner as may be customary for the industry, to the Owner of each Bond to be redeemed at such Owner’s address as it appears in the registration books maintained by the Trustee (the “Bond Register”) or at such other address as is furnished in writing by such Owner to the Bond Registrar; provided, however, that failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any Bond with respect to which no such failure or defect has occurred. Each such notice shall be dated and shall be given in the name of the Agency and shall state the following information:

(i) the complete official name of the Bonds, including Series, to be redeemed, the identification numbers of Bond certificates and the CUSIP numbers, if any, of the Bonds being redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Bonds;

(ii) any other descriptive information needed to identify accurately the Bonds being redeemed, including, but not limited to, the original issuance date and maturity date of, and interest rate on, such Bonds;

(iii) in the case of partial redemption of any Bonds, the respective principal amounts thereof to be redeemed;

(iv) the date of mailing of redemption notices, the Record Date and the redemption date;

(v) the Redemption Price;

(vi) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and
(vii) the place where such Bonds are to be surrendered for payment of the Redemption Price, designating the name and address of the redemption agent with the name of a contact person and telephone number.

(b) Notice of redemption having been given as provided in subsection (a) of this Section 3.2, the Bonds or the respective portions thereof so to be redeemed shall become due and payable on the date fixed for redemption at the Redemption Price specified therein plus accrued interest to the redemption date, and upon presentation and surrender thereof at the place specified in such notice, such Bonds or the respective portions thereof shall be paid at the Redemption Price, plus accrued interest to the redemption date. On and after the redemption date (unless the Agency shall default in the payment of the Redemption Price and accrued interest), such Bonds or the respective portions thereof to be redeemed shall cease to bear or accrue interest, and such Bonds or the respective portions thereof to be redeemed shall no longer be considered as Outstanding under the Indenture. If at the time of mailing of any notice of redemption there shall not be on deposit with the Trustee or the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee or the Paying Agent not later than the date fixed for redemption and that such notice shall be of no effect unless such moneys are so deposited. If moneys sufficient to pay the Redemption Price and accrued interest have not been made available by the Agency to the Trustee and the Paying Agent on the redemption date, such Bonds or the respective portions thereof to be redeemed shall continue to bear or accrue interest at the respective rates specified thereon until such moneys are delivered to the Trustee.

(c) In addition to the foregoing, further notice of any redemption of Bonds hereunder shall be given by the Bond Registrar simultaneously with mailed notice to Bondholders, by registered or certified mail or overnight delivery service to at least two national information services that disseminate notices of redemption of obligations such as the Bonds and, for any redemption other than by Sinking Fund Installment to the Municipal Securities Rulemaking Board and the State Repository, if any. Such further notice shall contain the information required in clause (a) above. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

(d) Upon the payment of the Redemption Price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear (i) the CUSIP number identifying, by issue, Series, tenor and maturity of Bonds being redeemed (ii) the principal amount of Bonds of each maturity being redeemed and (iii) if the redemption date is not an Interest Payment Date, the amount of accrued interest paid on Bonds of each maturity being redeemed with the proceeds of such check or other transfer.

(e) Notice of redemption shall be given, not more than sixty (60) days nor less than thirty (30) days (seven (7) days in the case of a redemption of bonds bearing interest at a variable rate) prior to the redemption date, to Owners of the Bonds, or portions thereof, to be redeemed. A second notice of redemption provided in the same manner as the first notice of redemption, shall be given, not later than ninety (90) days subsequent to the redemption date, to Owners of Bonds, or portions thereof redeemed but who failed to deliver Bond certificates for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Bonds receives the notice. Receipt of such notice shall not be a condition precedent to such redemption, and failure so to receive any such notice by any of such Owners shall not affect the validity of the proceedings for the redemption of any Bonds. The obligation of the Bond Registrar to give the notice required by this Section 3.2 shall not be conditioned upon the prior payment to the Trustee of moneys or Defeasance Obligations sufficient to pay the Redemption Price of the Bonds or portions thereof to which such notice relates or the interest thereon to the redemption date. The Agency shall give written notice to the Trustee of its election to redeem Bonds which are subject to optional redemption and of the redemption date, which notice shall be given at least forty (40) days (ten (10) days in the case of a redemption of bonds bearing interest at a variable rate) prior to the redemption date or at such later date as shall be acceptable to the Bond Registrar.

(f) The provisions of this Section 3.2 may be changed or modified for any particular Series by the related Series Indenture.
Section 3.3 Selection of Bonds to Be Redeemed.

(a) If less than all Bonds of like Series are to be redeemed, except as otherwise directed by the related Series Indenture or by an Agency Request that includes a certification that such request is consistent with the related Series Indenture, the Bond Registrar shall select a pro rata amount of the Bonds of each tenor and maturity of such Series for redemption. If less than all Bonds of like Series, tenor and maturity are to be redeemed, the particular Bonds or the respective portions thereof to be redeemed shall be selected by lot in such manner as the Bond Registrar in its discretion may deem fair and appropriate.

(b) The portion of any Bond of a denomination of larger than the minimum denomination may be redeemed in the principal amount of such minimum denomination or a multiple thereof, and for purposes of selection and redemption, any such Bond of a denomination larger than the minimum denomination shall be considered to be that number of separate Bonds of such minimum denomination which is obtained by dividing the principal amount of such Bond by such minimum denomination. If there shall be selected for redemption less than all of a Bond, the Agency shall execute and the Bond Registrar shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series, tenor and maturity in any of the authorized denominations.

(c) The Bond Registrar promptly shall notify the Agency, the Trustee and the Paying Agent in writing of the Bonds so selected for redemption.

Section 3.4 Deposit of Redemption Price. On or before any date fixed for redemption of any Bonds, moneys and/or Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than the date fixed for redemption in an amount that, together with income to be earned on such Defeasance Obligations prior to such date fixed for redemption, will be sufficient to provide moneys to pay the Redemption Price of and accrued interest on all Bonds or the respective portions thereof to be redeemed on such date, shall be deposited with the Trustee or the Paying Agent unless such amount shall have been previously deposited with the Trustee or the Paying Agent pursuant to the Indenture.

Section 3.5 Partial Redemption of Bonds. In case part but not all of an Outstanding Bond shall be selected for redemption, upon presentation and surrender of such Bond by the Holder thereof or his attorney duly authorized in writing (with, if the Agency or the Bond Registrar so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Agency and the Bond Registrar duly executed by the Holder thereof or his attorney duly authorized in writing) to the Bond Registrar, the Agency shall execute and the Bond Registrar shall authenticate and deliver to or upon the order of such Holder, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds at the option of such Holder or such attorney, of any authorized denomination of like tenor. Bonds so presented and surrendered shall be canceled in accordance with Section 2.13.

Section 3.6 Purchase in Lieu of Redemption.

(a) Prior to the mailing by the Bond Registrar of a notice of redemption with respect to Bonds of any particular Series, tenor and maturity, the Agency may direct the Trustee or the Paying Agent to purchase, and upon receipt of an Agency Request to such effect the Trustee or the Paying Agent shall purchase, such Bonds, at a price (including any brokerage and other costs) not to exceed the principal amount or Accreted Value thereof plus accrued interest, for cancellation in lieu of redemption; provided, however, that neither the Trustee nor the Paying Agent shall be obligated to honor an Agency Request that directs the purchase of Bonds for future delivery on or after a date that is five (5) Business Days prior to the last date, if any, on which notice of redemption with respect to such Bonds is required to be mailed in accordance with the provisions of this Indenture and neither the Trustee nor the Paying Agent shall be obligated to publish any notice of tender or other similar advertisement unless properly indemnified by the Agency for the cost thereof. Except as otherwise may be specified in such Agency Request, the Trustee and the Paying Agent shall make such purchases of Bonds in such manner as the Trustee or the Paying Agent shall determine. The Agency is expressly authorized, to tender, and to direct the Trustee and the Paying Agent to purchase from the Agency, any Bonds for cancellation in lieu of redemption. Neither the Trustee nor the Paying Agent shall be required to advance any of their own money to make any such purchase or purchases.
(b) The Agency shall apply, or cause the Trustee or the Paying Agent to apply, available moneys in the Redemption Fund in lieu of special redemption to pay the purchase price (exclusive of accrued interest) of Bonds purchased in lieu of special redemption pursuant to subsection (a) of this Section 3.6. The Agency shall apply, or cause the Trustee or the Paying Agent to apply, available moneys from the Revenue Account in accordance with Section 5.4, from the Debt Service Fund in accordance with Section 5.5 to pay accrued interest on such Bonds purchased pursuant to subsection (a) of this Section 3.6.

(c) The Agency shall apply, or cause the Trustee or the Paying Agent to apply, available moneys from the Debt Service Fund in accordance with Section 5.5 to pay the purchase price (inclusive of accrued interest) of Term Bonds purchased in lieu of redemption by Sinking Fund Installment pursuant to subsection (a) of this Section 3.6 and, upon such purchase, shall credit the principal amount of any such Term Bonds against such Sinking Fund Installment in accordance with Section 3.7.

(g) The Agency shall apply, or cause the Trustee or the Paying Agent to apply, available moneys in the Revenue Account in the order of priority and in amounts which do not exceed the amounts expected to be transferred to the respective Funds and Accounts pursuant to Section 5.4 prior to the next Bond Payment Date to purchase Bonds in the manner provided in subsections (b) and (c) of this Section 3.6. Any Bonds so purchased shall be credited in an amount equal to par plus accrued interest against amounts which would otherwise be required to be transferred pursuant to Section 5.4 to the various Funds and Accounts.

Section 3.7 Credits Against Sinking Fund Installments.

(a) Upon any redemption (other than by Sinking Fund Installment) of Bonds for which Sinking Fund Installments have been established, or any purchase in lieu thereof, there shall be credited by the Trustee and the Bond Registrar toward the Sinking Fund Installments thereafter to become due with respect thereto, on a proportionate basis and in increments of the applicable minimum denomination, an amount bearing the same ratio to each such Sinking Fund Installment as the total principal amount of such maturity of Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Installments to be credited; provided that, if there shall be filed with the Trustee and the Bond Registrar an Agency Request specifying a different method for crediting Sinking Fund Installments upon any such purchase or redemption of Bonds, and certifying that such request is consistent with the related Series Indenture, then such Sinking Fund Installments shall be so credited as shall be provided in such request. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited towards the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on or scheduled for a future date.

(b) The provisions of this Section 3.7 may be changed or modified for any particular Series by the related Series Indenture.

ARTICLE IV

GENERAL OBLIGATION BONDS; APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

Section 4.1 General Obligation Bonds. The principal of and interest on General Obligation Bonds shall be general obligations of the Agency payable out of the Revenues and assets pledged hereunder and also payable from any other moneys of the Agency legally available therefor, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

Section 4.2 Application of Bond Proceeds. The proceeds of the sale of each Series of Bonds shall, as soon as practicable upon delivery of such Bonds by the Trustee pursuant to Section 2.2 or 2.3, as applicable, be applied as set forth in the related Series Indenture.
Section 5.1 Establishment of Funds and Accounts.

(a) The following Funds and Accounts are hereby created and established as special trust funds:

(i) the Program Fund, consisting of:
(A) the Acquisition Account;
(B) the Short Term Bond Proceeds Account;
(C) the Cost of Issuance Account; and
(D) the Acquired Development Account

(ii) the Revenue Fund, consisting of:
(A) the Revenue Account; and
(B) the Rebate Account;

(iii) the Debt Service Reserve Fund, which shall include the Interest Reserve Account;

(iv) the Debt Service Fund, which may include an Agency Payment Account;

(v) the Short Term Bond Debt Service Fund, which may include an Agency Payment Account;

(vi) the Redemption Fund, which shall include the Special Redemption Account.

(b) All the Funds and Accounts listed in subsection (a), other than the Debt Service Fund and the Short Term Bond Debt Service Fund, and any Agency Payment Accounts therein, shall be held by the Agency in trust for application only in accordance with the provisions of this Indenture; provided that upon the occurrence and continuance of an Event of Default, such Funds and Accounts shall be transferred to and held by the Trustee. The Debt Service Fund and the Short Term Bond Debt Service Fund, and any Agency Payment Accounts therein, shall be held by the Trustee in trust for application only in accordance with the provisions of this Indenture.

(c) Subaccounts shall be created for each Series in each applicable fund and account described in this Section 5.1. Except as otherwise provided in this Indenture or in a Series Indenture, bond proceeds and other moneys relating to a Series shall be deposited in the related subaccounts created with respect to such Series.

(d) A Bond Purchase Fund may be created and established by a Series Indenture to be held by a Fiduciary to provide for the payment of the tender price or purchase price of Bonds as provided therein.

(e) The Agency may reallocate moneys, investments and Mortgage Loans among Series under any of the following circumstances:

(i) if and to the extent required by this Indenture (e.g., under Section 5.4, Section 5.6 or Article VII);

(ii) in connection with an Agency Request filed pursuant to Section 5.7; and
if and to the extent that the aggregate amount of moneys, investments and Mortgage Loans allocated to any particular Series exceeds the aggregate amount of Outstanding Bonds of such Series.

If the Agency determines to make such a reallocation of moneys, investments and Mortgage Loans among Series, the Agency shall deliver to the Trustee an Agency Request specifying such reallocations. Upon delivery of such request, the Agency or the Trustee, as applicable, shall transfer moneys, investments and/or Mortgage Loans (or portions thereof or interests therein) among subaccounts Related to each Series as requested. Mortgage Loans reallocated among Series are not required to meet the requirements of the Series Indenture Related to the Series to which such Mortgage Loans are being reallocated, if such Mortgage Loans at the time of their original acquisition by the Agency met the requirements of Section 6.6 of this General Indenture and the applicable requirements of the Series Indenture Related to such Mortgage Loans at the time of their purchase.

(f) Special temporary accounts in the Program Fund and the Debt Service Reserve Fund may be created and established to facilitate the refunding of the Agency’s bonds and any exchange of funds related thereto.

Section 5.2 Program Fund and Acquisition Account.

(a) Deposit of Moneys. There shall be paid into the related subaccount of the Acquisition Account established within the Program Fund the respective amount of the proceeds of the Bonds and other moneys specified in each Series Indenture and any amounts transferred pursuant to Section 5.3(a). There may also be paid into the Program Fund, at the option of the Agency, any moneys received by the Agency from any other source, unless required to be otherwise applied as provided by the Indenture.

Except as otherwise required or permitted by Section 6.6, Mortgage Loans made or purchased in connection with a Series shall be allocated to such Series. Mortgage Loans allocated to a Series shall be held in the subaccount of the Acquisition Account which was created in connection with such Series.

(b) Acquisition Account.

(i) Proceeds of the Bonds and other moneys deposited in the Acquisition Account may be applied (A) to make or purchase Mortgage Loans (including accrued interest thereon) in accordance with the provisions of this Indenture; provided, however, that such Mortgage Loans must satisfy the terms and conditions set forth in Section 6.6 of this General Indenture and applicable provisions of the related Series Indenture, and (1) in the case of Single Family Loans, the Agency shall not use such proceeds or other moneys to finance a Mortgage Loan providing a yield that, in the aggregate with other Mortgage Loans credited or expected to be credited to the Acquisition Account, exceeds any limitation on yield required by Section 143 of the Code, unless there shall be filed with the Trustee an opinion of Bond Counsel to the effect that the financing of Mortgage Loans providing a higher yield will not cause the interest on the related Tax-Exempt Bonds to be included in the gross income of the recipient thereof for federal income tax purposes and (2) in the case of Multifamily Loans, any Multifamily Mortgage Loan may be financed by application of amounts in one or more subaccounts of the Acquisition Account and, if applicable, from other sources, and participations in a Multifamily Loan may be proportionately or disproportionately allocated to the Series for which such subaccounts were established or such other sources, subject to any applicable covenants relating to Tax-Exempt Bonds; and provided further that if a Multifamily Loan is itself a participation, or is based upon a participation in a Borrower Loan, the Agency shall file with the Trustee at the time such Multifamily Loan is financed the agreement that specifies the terms of such participation or, if there is no such agreement, an Agency Certificate that describes the terms of such participation; or (B) to any such purpose or purposes as may be specified in the related Series Indenture.

(ii) Amounts designated by each Series Indenture may be made available solely for the purchase of Mortgage Loans on specified Homes or on Homes in a specified area for a specified period of time.
(c) **Disbursements from Acquisition Account.** The Agency shall withdraw moneys from the Acquisition Account pursuant to Section 5.2(b) upon delivery to the Trustee of an Agency Request stating (i) the name of the party to be paid, (ii) the purpose of such withdrawal and the amount (purchase price) to be paid, and (iii) that all conditions precedent to the application of such moneys for such purpose have been fulfilled. If the Agency requires or permits the prepayment of Mortgage Loan discount amounts consistent with the related Series Indenture, such prepaid discount amounts shall be deposited by or on behalf of the Agency in the Acquisition Account.

(d) **Unexpended Moneys.** Any moneys deposited in the Acquisition Account that the Agency certifies from time to time will not be applied in accordance with this General Indenture and the related Series Indenture shall be withdrawn by the Agency on the date specified in the related Series Indenture or such other date or dates on or after such date as may be specified by the Agency, and transferred to the related subaccount of the Redemption Fund for application in accordance with the related Series Indenture; provided, however, that such transfer or transfers shall be made on a later date as to all or any part of such moneys if the Agency shall have filed with the Trustee an Agency Request specifying a later date or dates for such withdrawal, and certifying that such Agency Request is consistent with the related Series Indenture.

(e) **Withdrawal of Assets upon Retirement of a Series.** When no Bonds of a particular Series remain Outstanding, upon delivery to the Trustee of an Agency Request to withdraw all or any portion of the related moneys, investments and/or Mortgage Loans from the related Funds, Accounts and subaccounts, the Agency shall make such withdrawal and shall transfer such moneys, investments and/or Mortgage Loans, as the case may be, as specified in such Agency Request.

Section 5.3 **Program Fund: Cost of Issuance Account.**

(a) Upon the issuance, sale and delivery of the Bonds, the Agency shall deposit in the Cost of Issuance Account such moneys, if any, as shall be specified in the related Series Indenture. Moneys in such Account shall be used to pay, or reimburse the Agency for the payment of, Costs of Issuance and for no other purpose. Any excess remaining upon payment of all Costs of Issuance shall be transferred to the Agency or to any Fund or Account, as specified by an Agency Request in which the Agency certifies that such moneys are no longer needed for the payment of Costs of Issuance, whereupon the Cost of Issuance Account shall be closed.

(b) In the event that the moneys deposited in the Cost of Issuance Account are not sufficient to pay all Costs of Issuance, Costs of Issuance may be paid from any available moneys of the Agency.

Section 5.4 **Revenue Fund.**

(a) **Deposit of Revenues and the Rebate Requirement.** The Agency shall deposit all Revenues or cause all Revenues to be deposited promptly upon their receipt and, in any event, at least once each month as provided herein; provided that Acquired Development Receipts shall be credited to the Acquired Development Account. Except as otherwise provided herein or in a Series Indenture, all such Revenues and the Rebate Requirement shall be deposited in the related subaccounts of the Revenue Fund as follows:

(i) for credit to the related subaccount of the Revenue Account, all Revenues Related to each Series; and

(ii) for credit to the related subaccount of the Rebate Account, at the times directed by the Agency, the Rebate Requirement related to Tax-Exempt Bonds.

There may also be deposited in the Revenue Fund, at the option of the Agency, any other moneys of the Agency, unless required to be otherwise applied as provided by the Indenture.

(b) **Accrued Interest on Mortgage Loans.** Promptly upon receipt of interest on a Mortgage Loan with respect to which moneys were withdrawn from the Acquisition Account to pay for interest accrued on such Mortgage Loan at the time of purchase from a Mortgage Lender, the Agency shall withdraw from the related subaccount of the Revenue Account and transfer to the related subaccount of the Acquisition Account an amount
equal to such accrued interest paid. Alternatively, accrued interest on Mortgage Loans at the time of purchase may be paid from the related subaccount of the Revenue Account as specified by Agency Request.

(c) **Payment of Certain Fiduciary Expenses.** The Agency shall pay or transfer from the related subaccount of the Revenue Account (i) directly to the Fiduciaries, all Fiduciary Expenses, when and as payable and (ii) reasonable and necessary Program Expenses, respectively, only to the extent, if any, provided in the following paragraphs.

(d) **Allocation of Revenues From Revenue Account.**

(i) On the last Business Day prior to each Bond Payment Date, or more frequently if required by a Series Indenture, the Agency shall withdraw from each subaccount of the Revenue Account and deposit into the specified subaccounts of the following Funds or Accounts and shall pay to the following parties the following amounts, in the following order of priority, the requirements of each such Fund, Account or party (including the making up of any deficiencies in any such Fund or Account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any payment or transfer is made subsequent in priority:

(A) To the Trustee for deposit into the related subaccount of the Debt Service Fund (x) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of interest becoming due and payable on such Bond Payment Date upon all Bonds of the related Series then Outstanding; plus (y) the amount, if any, needed to increase the amount in such subaccount to include the aggregate amount of Principal Installments becoming due and payable on the Outstanding Bonds of the related Series on such Bond Payment Date; provided, however, that if such Bond Payment Date is not a date for the payment of a Principal Installment on related Bonds, such transfer shall include an amount equal to one-half the amount of Principal Installments becoming due and payable on Outstanding related Bonds on the next following Bond Payment Date;

(B) To the Trustee for deposit into each unrelated subaccount of the Debt Service Fund, after making any transfer into such subaccount required by Section 5.6(c)(i), on a proportionate basis with all other unrelated such subaccounts or as otherwise directed by Agency Request, any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit required by subsection (A) and the transfer required by Section 5.6(c) as of such date;

(C) Into the related subaccount of the Debt Service Reserve Fund, the amount, if any, needed to increase the amount in such subaccount (including the related Interest Reserve Account) to the Debt Service Reserve Fund Requirement of the related Series;

(D) Into each unrelated subaccount of the Debt Service Reserve Fund, on a proportionate basis with all other unrelated such subaccounts, any deficiency in such subaccount resulting from the lack of related Revenues sufficient to make the deposits required by subsection (E) as of such date;

(E) To the Agency, the amount of any reasonable and necessary Fiduciary Expenses with respect to the related Series previously incurred but not reimbursed to the Agency or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of all Fiduciary Expenses with respect to the related Series paid directly to Fiduciaries or to the Agency under this subsection (G) in any Bond Year exceed any limitation set forth in the related Series Indenture;

(F) To the Agency, the amount of any reasonable and necessary Fiduciary Expenses with respect to unrelated Series, on a proportionate basis with all other unrelated Series, any deficiency
resulting from the lack of related Revenues sufficient to make the transfers required by subsection (G) as of such date;

(G) To the Agency, the amount of any reasonable and necessary Program Expenses with respect to the related Series previously incurred but not reimbursed to the Agency or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of such amounts paid to the Agency, plus amounts paid to the Agency with respect to such Series pursuant to subsections (G) and (H) above and all Fiduciary Expenses with respect to the related Series paid directly to Fiduciaries in any Bond Year exceed any limitations set forth in the related Series Indenture;

(H) To the Agency, the amount of any reasonable and necessary Program Expenses with respect to unrelated Series, on a proportionate basis with all other unrelated Series, any deficiency resulting from the lack of related Revenues sufficient to make the deposit required by subsection (I) as of such date;

(I) Into the related subaccount of the Short Term Bond Debt Service Fund the amounts, if any, required by the related Series Indenture; and

(J) Into unrelated subaccounts of the Short Term Bond Debt Service Fund, on a proportionate basis with all other unrelated Series or as otherwise directed by Agency Request (subject in each case to the related Series Indentures), any deficiency in such subaccounts resulting from the lack of related Revenues sufficient to make the deposits required by subsection (S) as of such date.

Notwithstanding the foregoing, the Agency shall pay from the Revenue Account to the counterparty of any Hedging Instrument such amount as shall be due from the Agency or the Trustee thereunder, as specified in the related Series Indenture or in an Agency Certificate consistent with the related Series Indenture, in such order of priority in relation to clauses (A) through (J) above as may be specified in such Series Indenture or Agency Certificate.

(ii) The Agency may make any of the above transfers more frequently than on Bond Payment Dates, in amounts inversely proportional to the frequency of transfers so directed.

(iii) Following such transfers, the balance, if any, in each subaccount of the Revenue Account, or such lesser amount thereof as shall be determined by the Agency, shall be applied by the Agency for the payment of Program Expenses or for any other purpose free and clear of the lien and pledge of this Indenture. Any amount in each subaccount of the Revenue Account not so applied by the Agency shall be transferred to the related subaccounts of the Redemption Fund and allocated among the related subaccounts of the Special Redemption Account as provided in subsection (d)(i)(___) of this Section or shall be transferred and allocated as determined by the Agency, subject in each case to any requirements or limitations specified in the related Series Indenture.

(iv) Prior to, but as close as practicable to, the latest date on which the Trustee would be permitted to give notice of a redemption to occur on a Bond Payment Date from amounts deposited in the Redemption Fund pursuant to subsection (d)(i) of this Section, the Agency shall calculate the amounts then on deposit in each subaccount of the Revenue Account that would be transferred to the related subaccounts of the Debt Service Fund, and the related subaccounts of the Redemption Fund, in accordance with the priorities and provisions of such subsection. Such amounts may be withdrawn from such subaccount of the Revenue Account for application on or prior to such Bond Payment Date (A) upon delivery of an Agency Request, to the purchase of related Bonds in amounts determined in accordance with subsection (d)(i) of this Section, (B) to the payment of accrued interest on related Bonds being purchased pursuant to Section 3.6 or redeemed pursuant to Section 5.7, or (C) to the redemption of Bonds on such Bond Payment Date in the amounts determined in accordance with subsection (d)(i) of this Section.
(v) In the event Bonds are to be redeemed on a date other than a Bond Payment Date, and to the extent moneys are not available in the related subaccounts of the Debt Service Fund to pay accrued interest on such redemption date for such Bonds, respectively, the Trustee shall apply or cause the Paying Agent to apply available moneys in the related subaccount of the Revenue Account for the payment of such interest.

(c) Rebate Account. Provisions relating to the Rebate Account shall be set forth in each Series Indenture.

Section 5.5 Application of Debt Service Fund.

(a) Amounts in each subaccount of the Debt Service Fund shall be used and withdrawn by the Trustee solely for transfer to the Paying Agent (i) on each Bond Payment Date for the purpose of paying the interest and Principal Installments on the related Bonds as the same shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture) or (ii) on each purchase date for the purpose of paying the purchase price of related Bonds purchased in lieu of redemption by Sinking Fund Installments.

(b) Amounts remaining in each subaccount of the Debt Service Fund after no Bonds of the related Series remain Outstanding shall be transferred to the related subaccount of the Revenue Account.

Section 5.6 Debt Service Reserve Fund.

(a) Upon the issuance, sale and delivery of a Series pursuant to this Indenture, the Agency shall deposit in the related subaccount of the Debt Service Reserve Fund and in the related subaccount of the Interest Reserve Account therein such amounts, if any, as shall be required by the provisions of the related Series Indenture, which aggregate amount shall be at least sufficient to equal the Debt Service Reserve Fund Requirement relating to such Series, calculated after giving effect to the issuance of such Bonds. Moneys on deposit in the related subaccount of the Interest Reserve Account shall at all times be deemed to be a part of the related subaccount of the Debt Service Reserve Fund. Additional moneys may be deposited in the related subaccount of the Debt Service Reserve Fund in accordance with Section 5.4(d).

(b) On or prior to each Bond Payment Date for a Series, the Trustee shall calculate the amount of the related Debt Service Reserve Fund Requirement as of such Bond Payment Date and shall determine the amount, if any, which would then be in the related subaccount of the Debt Service Reserve Fund (other than amounts attributable to accrued, but unrealized interest purchased on Investment Obligations) in excess of such Requirement, shall notify the Agency of such excess amount and the Agency shall, unless otherwise specified by an Agency Request, transfer such excess amount from the related subaccount of the Debt Service Reserve Fund, other than the related subaccount of the Interest Reserve Account therein, to the related subaccount of the Revenue Account.

(c) On the last Business Day prior to each Bond Payment Date or more frequently if required by a Series Indenture, and in each case in conjunction with the transfers, deposits and payments to be made pursuant to Section 5.4(d)(i), the Agency shall transfer from each subaccount of the Debt Service Reserve Fund (including from the Interest Reserve Account as provided below) to the Trustee for deposit in the specified subaccounts of other Funds or Accounts the following amounts, in the following order of priority, the requirements of each such transfer to be satisfied, and the results of such satisfaction being taken into account, before any payment or transfer is made subsequent in priority:

(i) In the event that the amount transferred to any subaccount of the Debt Service Fund pursuant to subsection 5.4(d)(i)(A) is insufficient to pay the interest and Principal Installments, if any, due on the Bonds of the related Series on the next succeeding Bond Payment Date, the Agency shall transfer, first from the related subaccount of the Interest Reserve Account and then if and to the extent necessary from the related subaccount of the Debt Service Reserve Fund, to such subaccount of the Debt Service Fund, the amount of such insufficiency.
(ii) In the event that the amount transferred to any subaccount of the Debt Service Fund pursuant to subsection 5.4(d)(i)(B) is insufficient to pay the interest and Principal Installments, if any, due on the Bonds of the related Series on the next succeeding Bond Payment Date, the Agency shall transfer from unrelated subaccounts in the Debt Service Reserve Fund, on a proportionate basis with all other unrelated such subaccounts or as otherwise specified by Agency Request, first from subaccounts of the Interest Reserve Account and then if and to the extent necessary from the subaccounts of the Debt Service Reserve Fund, to such subaccount of the Debt Service Fund, the amount of such insufficiency.

(iii) A Series Indenture pursuant to which Short Term Bonds are issued may provide that in the event that the amount transferred to any subaccount of the Short Term Bond Debt Service Fund pursuant to Section 5.4(d)(i)(B) is less than the amount required by the related Series Indenture, the Agency shall transfer the amount of the insufficiency from one or more of the following sources in the following order of priority: first, the related subaccount of the Interest Reserve Account, second, the related subaccount of the Debt Service Reserve Fund to such subaccount of the Short Term Bond Debt Service Fund, third, unrelated subaccounts of the Interest Reserve Accounts on a proportionate basis or as otherwise specified by Agency Request, and fourth, unrelated subaccounts of the Debt Service Reserve Fund on a proportionate basis or as otherwise specified by Agency Request; provided, however, that no such transfer may result in the amount on deposit in any subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the related Series Indenture.

(d) Any amount in each subaccount of the Interest Reserve Account shall be transferred to the related subaccount of the Debt Service Reserve Fund on the date specified in the related Series Indenture or such earlier date as may be specified by Agency Request.

Section 5.7 Redemption Fund: Cross-Calls and Recycling

(a) Moneys deposited in the subaccounts of the Redemption Fund shall be applied by the Agency to the purchase, or the redemption, of Bonds in accordance with the provisions of Article III, this Section 5.7 and each related Series Indenture.

(b) Except as set forth in this Section 5.7 or in the related Series Indenture, moneys deposited in a subaccount of the Special Redemption Account pursuant to Section 5.4 or pursuant to the related Series Indenture, shall be applied to the extent practicable by the Agency on the earliest practicable date to redeem related Bonds. Any amounts remaining in such Special Redemption Account after no related Bonds remain Outstanding shall be transferred to the related subaccount of the Revenue Account.

(e) Notwithstanding anything contained herein to the contrary, the Agency may, upon delivery of an Agency Request to the Trustee at any time prior to the mailing of notices of redemption, transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to another subaccount of the same Account in the Redemption Fund to be applied as provided herein to the redemption of Bonds of a different Series; provided that the Agency shall not make any such transfers to the extent prohibited by the related Series Indentures.

(f) In addition, notwithstanding anything contained herein to the contrary, the Agency may, upon delivery of an Agency Request to the Trustee at any time prior to the giving of notice of redemption, transfer moneys on deposit in a subaccount of an Account in the Redemption Fund to a related or an unrelated subaccount of the Acquisition Account to be applied as provided in Section 5.2; provided that the Agency shall not make any such transfers to the extent prohibited by the related Series Indentures.

Section 5.8 Application of Short Term Bond Debt Service Fund

(a) Amounts in each subaccount of the Short Term Bond Debt Service Fund shall be used and withdrawn by the Trustee for the purpose of paying debt service (including redemption price) on the related Short Term Bonds as provided by the related Series Indenture.
(b) Amounts remaining in each subaccount of the Short Term Bond Debt Service Fund after no Short Term Bonds of the related Series remain Outstanding shall be transferred to the related subaccount of the Revenue Account.

Section 5.9 Application of Agency Payment Accounts.

(a) If, following transfers made pursuant to Sections 5.4 and 5.6(c), there are not sufficient moneys to pay all interest and Principal Installments due and payable on any General Obligation Bonds, the Trustee shall immediately notify the Agency in writing of the amount of such insufficiency and shall request from the Agency an immediate deposit of legally available funds equal to the aggregate insufficiency. The Agency shall pay to the Trustee (from the Agency’s other moneys legally available therefor, subject only to agreements made or to be made with holders of notes or bonds pledging particular revenues or moneys) for deposit in the related subaccounts of the Agency Payment Account the amount of the related insufficiency. If the amount provided by the Agency is less than the aggregate amount of such insufficiency, any shortfall shall be allocated pro rata among the holders of the General Obligation Bonds in proportion to the amounts then due and payable on such Bonds.

(b) Amounts deposited by the Agency pursuant to subsection (a) shall be deposited into the respective subaccounts of the Agency Payment Accounts for the General Obligation Bonds for which such amounts are provided. Amounts in such subaccounts shall only be used to pay interest or Principal Installments due and payable on the related General Obligation Bonds and may not be transferred to any Debt Service Fund for Bonds which are not General Obligation Bonds or to any other Fund or Account for any reason.

Section 5.10 Investment of Moneys.

(a) Moneys in all Funds and Accounts held under this Indenture shall be invested to the fullest extent possible in Investment Obligations and, in the case of such moneys held by the Trustee, in accordance with directions given to the Trustee in an Agency Request or Certificate; provided that the maturity date or the date on which such Investment Obligations may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof. The Trustee may rely conclusively upon such Agency Request or Certificate that such investments specified therein constitute Investment Obligations under this Indenture.

(b) Amounts credited to any Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Investment Obligation or Investment Obligations, provided that (i) each such investment complies in all respects with the provisions of this Section 5.10 as they apply to each Fund or Account for which the joint investment is made, (ii) the Agency or the Trustee, as applicable, maintains separate records for each Fund and Account and such investments are accurately reflected therein, and (iii) amounts credited to the Rebate Account may be invested together with amounts credited to any other Fund or Account.

(c) The Trustee may make any investment permitted by this Section 5.10 with or through its own bond department, commercial banking department or commercial paper department or with investment companies for which the Trustee or its affiliates may provide advisory, administrative, custodial or other services for compensation.

(d) In computing the amount in any Fund or Account, Investment Obligations shall be valued at par or, if purchased at other than par, at their Amortized Value, in either event inclusive of accrued interest purchased, [and Mortgage Loans shall be valued at 100% of the outstanding principal balance thereof unless in default for more than 60 days as of the date of computation, in which event such Mortgage Loans shall be valued at the Agency’s estimated net Prepayment from the proceeds of mortgage insurance].

(e) Except as otherwise specifically provided in this Indenture, the income or interest earned by, or gain to, all Funds and Accounts due to the investment thereof shall be transferred by the Agency or the Trustee, as applicable, upon receipt thereof to the related subaccount of the Revenue Account, in accordance with Section 5.4, except that no such transfer shall be made from, and such income, interest or gain (as described above) shall be
(f) The Agency or the Trustee, as applicable, shall sell, or present for redemption, any Investment Obligation whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

(g) The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of investment transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

(h) The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Section 5.11 Liability of Trustee for Investments. The Trustee shall not be liable or responsible for the making of any investment authorized by the provisions of this Article V in the manner provided in this Article V or for any loss resulting from any such investment so made, except for its own negligence.

Section 5.12 Application of Acquired Development Account.

(a) If at any time the Trustee shall receive an Agency Certificate in the form required by paragraph (b) of this Section, the Agency shall charge the Acquired Development Account and pay the costs or expenses incurred in connection with an Acquired Development as specified in such certificate.

(b) Payments from the Acquired Development Account shall be made upon filing with the Trustee of an Agency Certificate stating, with respect to each payment, (1) the item number of the payment, (2) the Acquired Development with respect to which payment is being made, (3) the name of the person to whom payment is to be made, (4) the amount to be paid, and (5) that the amount of such payment, when added to the amount of all previous payments made with respect to the specified Acquired Development during the current period for which an Acquired Development Expense Requirement has been established by the Agency for that Acquired Development, does not exceed such Acquired Development Expense Requirement.

(v) When the amount in the Acquired Development Account is greater than the Acquired Development Expense Requirement, the excess amount shall be charged to such Account and credited to the Revenue Account.

ARTICLE VI

PARTICULAR COVENANTS OF THE AGENCY

The Agency covenants and agrees with the Trustee and the Bondholders of the Bonds as follows:
Section 6.1 Payment of Bonds. The Agency shall duly and punctually pay or cause to be paid, but in strict conformity with the terms of the Bonds and this Indenture, the principal or Redemption Price of every Bond and the interest thereon at the dates and places and in the manner mentioned in the Bonds according to the true intent and meaning thereof and shall duly pay or cause to be paid, but in strict conformity with the terms of the Bonds and this Indenture, the Sinking Fund Installments becoming due and payable with respect to the Bonds and the Short Term Bond Sinking Fund Installments becoming due and payable with respect to the Short Term Bonds.

Section 6.2 Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement. Notwithstanding the foregoing, the Holder of any Bond may extend the time for payment of the principal or of interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full.

Section 6.3 Power to Issue Bonds and Pledge Revenues and Other Funds. The Agency is duly authorized under all applicable laws to issue the Bonds and to execute and deliver this Indenture and to pledge the Revenues and other moneys, securities, rights and interests purported to be pledged by this Indenture in the manner and to the extent provided herein. The Bonds and the provisions of this Indenture are and will be the valid and binding obligations of the Agency enforceable in accordance with their terms and the terms of this Indenture, subject to State and Federal bankruptcy, insolvency, and other similar laws affecting the enforcement of creditors’ rights and the availability of equitable remedies.

Section 6.4 Use of Bond Proceeds. The Agency will use the proceeds of Bonds and any other moneys deposited in the Funds and Accounts only in accordance with the provisions of this Indenture and the Act. The Agency from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of this Indenture, shall use and apply the proceeds of the Bonds and other moneys deposited in the Acquisition Account, to the extent not reasonably required for other purposes of the Agency, to the purposes set forth herein and in each Series Indenture.

Section 6.5 Program Covenants. [insert applicable program covenants]

Section 6.6 Mortgage Loans. [insert applicable mortgage loan requirements]

Section 6.7 Enforcement of Mortgage Loans. [insert applicable enforcement provisions]

Section 6.8 Amendment of Mortgage Loans. The Agency may consent or agree to or permit any amendment or modification of the economic terms of any Mortgage Loan in any manner determined by the Agency.

Section 6.9 Power as to Mortgage Loans. The Agency has, and will have so long as any Bonds are Outstanding, lawful power to collect and hold repayments and prepayments with respect to all Mortgage Loans.

Section 6.10 Accounts and Reports

(a) The Agency shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Program and the Funds and Accounts established by this Indenture. Such books, and all other books and papers of the Agency and such Funds and Accounts shall at all times be subject to the inspection of the Trustee and the Holders of an
aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(b) The Agency shall annually, within 90 days after the close of each Fiscal Year (the first such report to be filed with respect to the Fiscal Year ending 20 ), file with the Trustee and with each Rating Agency and otherwise as provided by law, its audited financial statement for such Fiscal Year, accompanied by an Accountant’s certificate, including the following statements in reasonable detail: a statement of assets and liabilities as of the end of such Fiscal Year; a statement of income, expenses and changes in fund balances for such Fiscal Year; and a statement of changes in financial position. The Trustee shall have no duty to review such financial statements and reports.

(c) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provision of this Indenture shall be available for the inspection of Owners of Bonds at the principal corporate trust office of the Trustee and a copy of the audited financial statements of the Agency shall be mailed to each Owner of Bonds who shall file a written request therefor with the Agency.

Section 6.11 Creation of Liens. The Agency shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Revenues or of the moneys, securities, rights and interests pledged or held or set aside by the Agency or by any Fiduciary under this Indenture and shall not create or cause to be created, other than by this Indenture, any lien or charge on the Revenues or such moneys, securities, rights or interests; provided, however, that nothing in this Indenture shall prevent the Agency from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived after the pledge of the Revenues provided in this Indenture shall be discharged and satisfied as provided in Article XII; or (ii) notes or bonds of the Agency not secured under this Indenture; or (iii) notes or bonds which are general obligations of the Agency under the Act.

Section 6.12 Personnel.

(a) The Agency at all times shall appoint, retain and employ competent personnel or contract for such personnel for the purpose of administering the Program and owning and servicing the Mortgage Loans in accordance with the provisions of this Indenture, and all persons employed by the Agency shall be qualified for their respective positions, all in accordance with law.

(b) The Agency shall maintain with respect to its officers and employees such surety bonds in full force and effect as are required by the Act.

Section 6.13 Restrictions on Purchase of Bonds. The Agency shall not purchase or direct the purchase by the Trustee of any Bonds at a cost or price (including any brokerage fee or commission and other charges) which exceeds (i) the then applicable Redemption Price of such Bonds if such Bonds are then redeemable; or (ii) the Redemption Price of such Bonds on the date such Bonds are first redeemable at the option of the Agency, in either case plus accrued interest on all such Bonds to the date of redemption.

Section 6.14 General.

(a) The Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Agency under the provisions of the Act and this Indenture and shall refrain from taking any action which would cause a default hereunder or under any Supplemental Indenture (including any Series Indenture).

(b) Upon the date of delivery of any of the Bonds, all conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Agency, shall be within every debt and other limit prescribed by the laws of the State.
Section 6.15 Hedging Instruments.

No Hedging Instrument shall be entered into by the Agency with respect to all or any portion of the Bonds unless it complies with the following terms, conditions, provisions and limitations and any additional terms, conditions, provisions and limitations specified by the related Series Indenture with respect to such Hedging Instrument and the related Bonds:

[insert applicable requirements]

ARTICLE VII

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 7.1 Events of Default. Each of the following events is hereby declared an “Event of Default” under this Indenture:

(a) The Agency shall fail to pay any Principal Installment of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The Agency shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable;

(c) The Agency shall fail to pay any Principal Installment or interest on any Short Term Bond, provided that sufficient moneys for such payment are available in the Short Term Bond Debt Service Fund;

(d) The Agency shall fail to perform or observe any other covenant, agreement or condition on its part contained in this Indenture (except the requirement that the Agency pay amounts to the Trustee from its other revenues, moneys or assets in connection with General Obligation Bonds), or in the Bonds and such failure shall continue for a period of 60 days after written notice thereof to the Agency by the Trustee or to the Agency and to the Trustee by the Holders of not less than 10% in Aggregate Principal Amount of the Bonds Outstanding; or

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

Section 7.2 Acceleration: Annulment of Acceleration.

(a) Upon the Occurrence of an Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in Aggregate Principal Amount of Outstanding Bonds following an Event of Default described in subsections (a), (b), (c) and (e) of Section 7.1 and not less than 50% in Aggregate Principal Amount of Outstanding Bonds following an Event of Default described in subsection (d) of Section 7.1 shall, give 30 days notice in writing to the Agency of its intention to declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Holders of not less than 25% in Aggregate Principal Amount of Outstanding Bonds shall, by notice in writing to the Agency, declare the Aggregate Principal Amount of all Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

Notwithstanding the preceding paragraph, following a Covenant Default (except for a failure which could adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds), the Trustee shall not declare the Aggregate Principal Amount of all Bonds Outstanding...
immediately due and payable unless the Trustee is so directed by the written request of Holders of 100% in Aggregate Principal Amount of Outstanding Bonds.

(b) At any time after the Aggregate Principal Amount of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if (i) moneys shall have been deposited in the Revenue Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Bonds; (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable by the Agency under this Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 7.3 Additional Remedies and Enforcement of Remedies.

(a) Upon the Occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in Aggregate Principal Amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds and this Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Bondholders to collect and enforce the payment of principal and of interest due or becoming due on Mortgage Loans and collect and enforce any rights in respect to the Mortgage Loans or other security or mortgages securing such Mortgage Loans and to require the Agency to carry out its duties and obligations under the terms of this Indenture, and to require the Agency to perform its duties under the Act;

(ii) Suit upon all or any part of the Bonds;

(iii) Civil action to require the Agency to account as if it were the trustee of an express trust for the Holders of Bonds;

(iv) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Bonds; and

(v) Enforcement of any other right of the Bondholders conferred by law or by this Indenture.

(b) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in Aggregate Principal Amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under this Indenture by any acts which may be unlawful or in violation of this Indenture; or (ii) to preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

Section 7.4 Application of Revenues and Other Moneys After Default.

(a) The Agency covenants that if an Event of Default shall happen and shall not have been remedied, the Agency, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee as promptly as practicable after receipt thereof, all Revenues and other payments or receipts pledged under this Indenture.
(b) During the continuance of an Event of Default, the Trustee shall apply, or cause the Paying Agent to apply, all moneys and securities held in any Fund or Account (except the Rebate Account, the Bond Purchase Fund, the Short Term Bond Proceeds Account and, with respect to any Bonds that are not General Obligation Bonds, the Agency Payment Accounts), Revenues, payments and receipts and the income therefrom as follows and in the following order:

(i) To the payment of reasonable and proper Fiduciary Expenses;

(ii) To the payment of the interest and Principal Installments then due and payable on the Bonds, subject to the provisions of Section 6.2, as follows:

(A) Unless the Aggregate Principal Amount of all of the Bonds shall have become or have been declared due and payable.

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

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

(B) If the Aggregate Principal Amount of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference;

(v) To the payment of Principal Installments of and interest then due on the Short Term Bonds in accordance with the provisions of subsection (ii) above as if such subsection referred to the Short Term Bonds rather than the Bonds.

(vi) To the payment of the amounts required for reasonable and necessary Program Expenses.

Moneys and Securities in the Short Term Bond Proceeds Account and the Agency Payment Accounts are to be applied only to the payment of interest and Principal Installments of Bonds with respect to which such moneys and securities have been pledged.
Section 7.5 Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute (including the Act) on or after the date of adoption of this Indenture.

Section 7.6 Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Except as provided in Article VIII and subject to the provisions of Section 7.4, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds or if no Bonds remain Outstanding, for the equal benefit of the Holders of the Outstanding Short Term Bonds.

Section 7.7 Majority Bondholders Control Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Indenture to the contrary, the Holders of at least a majority in Aggregate Principal Amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Indenture or for the appointment of a receiver or to take any other proceedings under this Indenture, provided that such direction is in accordance with law and the provisions of this Indenture (including indemnity to the Trustee as provided in Section 9.2) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction and provided further that nothing in this Section 7.7 shall impair the right of the Trustee in its discretion to take any other action under this Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 7.8 Individual Bondholder Action Restricted.

(a) Except as provided in Article VIII, no Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust under this Indenture or for any remedy under this Indenture unless:

(i) an Event of Default has occurred under subsection (a), (b) or (c) of Section 7.1, as to which the Trustee has actual notice, or as to which the Trustee has been notified in writing; and

(ii) the Holders of at least 25% in Aggregate Principal Amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Indenture or to institute such action, suit or proceeding in its own name; and

(iii) such Bondholders shall have offered the Trustee indemnity as provided in Section 9.2; and

(iv) the Trustee shall have failed or refused to exercise the powers in this Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Indenture or to enforce any right under this Indenture except in the manner in this Indenture provided and for the respective benefit of the Holders of all Bonds Outstanding.
Section 7.9 Termination of Proceeding. In case any proceeding taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under this Indenture, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.10 Waiver and Non-Waiver of Event of Default.

(a) No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article VII to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture, or before the completion of the enforcement of any other remedy under this Indenture.

(c) Notwithstanding anything contained in this Indenture to the contrary, the Trustee, upon the written request of the Holders of at least a majority of the Aggregate Principal Amount of Bonds then Outstanding, shall waive any Event of Default under this Indenture and its consequences; provided, however, that (i) except under the circumstances set forth in subsection (b) of Section 7.2 of this Indenture or subsection (b) of this Section 7.10, a default in the payment of the Principal Installment of or interest on any Bond when the same shall become due and payable by the terms thereof, or, upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding and (ii) a default under Section 7.1(c) or (d) may not be waived by the Holders of the Outstanding Bonds.

(d) In case of any waiver by the Trustee of an Event of Default under this Indenture, the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under this Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section 7.10.

Section 7.11 Notice of Defaults.

(a) Within 30 days after (i) the receipt of notice of an Event of Default as described in Section 7.1(d) or (e) or (ii) the occurrence of an Event of Default under Section 7.1(a), (b) or (c), of which the Trustee is deemed to have notice, the Trustee, unless such Event of Default shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of Bonds then Outstanding, provided that, except in the case of a default in the payment of Principal Installments of or interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(b) The Trustee shall immediately notify the Agency of any Event of Default known to the Trustee.

(c) Within 30 days after (i) the receipt of notice of an occurrence of event which with the lapse of time would become an Event of Default described in Section 7.1(d) or (ii) the occurrence of an event which with the lapse of time would become an Event of Default described in Section 7.1(b), of which the Trustee is deemed to have notice, the Trustee, unless such event shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of Bonds then Outstanding, provided that the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interest of the Bondholders.
Section 7.12 Right of Bondholders to Appoint Trustee Pursuant to the Act Abrogated. The Trustee shall be and is hereby vested with all of the rights, powers and duties set forth in this Indenture, and, pursuant to the Act, the right of the Bondholders to appoint a trustee under the Act is hereby abrogated.

ARTICLE VII
DEFAULT PROVISIONS AND REMEDIES
FOR GENERAL OBLIGATION BONDS

Section 8.1 General Obligation Bond Defaults. If the Agency shall fail to pay interest on any General Obligation Bond when due or shall fail to pay any Principal Installment on any General Obligation Bond, provided that such failure shall not constitute an Event of Default under Section 7.1, such failure is hereby declared a General Obligation Bond Default under this Indenture. A General Obligation Bond Default shall not constitute an Event of Default under this Indenture and shall not affect the priority of the lien and pledge granted Holders of Bonds under this Indenture.

Section 8.2 Acceleration: Annulment of Acceleration.

(a) Upon the occurrence of a General Obligation Bond Default, the Trustee may and, upon the written request of the Holders of not less than 25% in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, give 30 days notice in writing to the Agency of its intention to declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Holders of not less than 25% in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, by notice in writing to the Agency, declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such General Obligation Bonds shall become and be immediately due and payable. In such event, there shall be due and payable on the General Obligation Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

(b) At any time after the Aggregate Principal Amount of the General Obligation Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee may annul such declaration and its consequences with respect to any General Obligation Bonds not then due by their terms if (i) moneys shall have been deposited in the Debt Service Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding General Obligation Bonds; and (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee. No such annulment shall extend to or affect any subsequent General Obligation Bond Default or impair any right consequent thereon.

Section 8.3 Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of a General Obligation Bond Default, the Trustee may, and upon the written request of the Holders of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce the rights of the General Obligation Bondholders under the Act, the General Obligation Bonds and this Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient and consistent with the limitations specified in subsection (c) below, including but not limited to:

(i) Suit upon all or any part of the General Obligation Bonds;

(ii) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of General Obligation Bonds; and
Enforcement of any other right of the General Obligation Bondholders conferred by law or by this Indenture.

(b) Regardless of the happening of a General Obligation Bond Default, the Trustee, if requested in writing by the Holders of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under this Indenture by any acts which may be unlawful or in violation of this Indenture; or (ii) to preserve or protect the interests of the General Obligation Bondholders, provided that such request is in accordance with law and the provisions of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of General Obligation Bonds not making such request.

(c) The rights and remedies of Holders of General Obligation Bonds upon the occurrence of a General Obligation Bond Default shall be limited to the enforcement of the Agency's general obligation covenant with respect to the General Obligation Bonds and to the disbursement of amounts available to Holders of General Obligation Bonds from time to time in the Debt Service Fund, the Redemption Fund and the Debt Service Reserve Fund after provision is made for, and after taking into account the rights of Holders of Bonds other than General Obligation Bonds as provided in this Indenture. The exercise of remedies upon the Occurrence of a General Obligation Bond Default shall not in any manner affect, disturb or prejudice the priority, security and rights of Holders of Bonds under this Indenture.

Section 8.4 Remedies Not Exclusive. Subject to the limitations set forth in Section 8.3(c), no remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute (including the Act) on or after the date of adoption of this Indenture.

Section 8.5 Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the General Obligation Bonds may be enforced by the Trustee without the possession of any of the General Obligation Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the General Obligation Bonds. Any recovery of judgment in respect to a General Obligation Bond Default shall be for the equal benefit of the Holders of the Outstanding General Obligation Bonds.

Section 8.6 Majority Bondholders Control Proceedings. If a General Obligation Bond Default shall have occurred and be continuing, notwithstanding anything in this Indenture to the contrary, the Holders of at least a majority in Aggregate Principal Amount of General Obligation Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Indenture or to take any other proceedings under this Indenture, provided that such direction is in accordance with law and the provisions (in particular those relating to the priority of the classes of Bonds) of this Indenture (including indemnity to the Trustee as provided in Section 9.2) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction and provided further that nothing in this Section 8.6 shall impair the right of the Trustee in its discretion to take any other action under this Indenture which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 8.4 Individual Bondholder Action Restricted.

(a) No Holder of any General Obligation Bond shall have any right to institute any suit, action or proceeding in equity or at law for any remedy under Article VIII unless:

(i) a General Obligation Bond Default has occurred as to which the Trustee has actual notice, or as to which the Trustee has been notified in writing; and
the Holders of at least 25% in Aggregate Principal Amount of General Obligation Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in Article VIII or to institute such action, suit or proceeding in its own name; and

such Bondholders shall have offered the Trustee indemnity as provided in Section 9.2; and

the Trustee shall have failed or refused to exercise the powers in this Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of General Obligation Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Indenture or to enforce any right under this Indenture except in the manner in this Indenture provided and for the respective benefit of the Holders of all General Obligation Bonds Outstanding.

Section 8.5 Termination of case any proceeding taken by the Trustee on account of any General Obligation Bond Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under this Indenture, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 8.6 Waiver and Non-Waiver of General Obligation Bond Default.

(a) No delay or omission of the Trustee or of any Holder of the General Obligation Bonds to exercise any right or power accruing upon any General Obligation Bond Default shall impair any such right or power or shall be construed to be a waiver of any such General Obligation Bond Default or an acquiescence therein. Every power and remedy given by this Article to the Trustee and the Holders of the General Obligation Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any General Obligation Bond Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture, or before the completion of the enforcement of any other remedy under this Indenture.

(c) Notwithstanding anything contained in this Indenture to the contrary, the Trustee, upon the written request of the Holders of at least a majority of the Aggregate Principal Amount of General Obligation Bonds then Outstanding, shall waive any General Obligation Bond Default under this Indenture and its consequences.

(d) In case of any waiver by the Trustee of an General Obligation Bond Default under this Indenture, the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under this Indenture, respectively, but no such waiver shall extend to any subsequent or other General Obligation Bond Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any General Obligation Bond Default in accordance with this Section 8.9.
Section 8.7 Notice of Defaults. Within 30 days after the occurrence of a General Obligation Bond Default under this Indenture, of which the Trustee is deemed to have notice, the Trustee, unless such General Obligation Bond Default shall have theretofore been cured, shall give written notice thereof by first class mail to each Owner of General Obligation Bonds then Outstanding.

ARTICLE IX
CONCERNING THE FIDUCIARIES

Section 9.1 Trustee; Paying Agent and Bond Registrar Appointment and Acceptance of Duties.
[NAMES OF TRUSTEE], in ______________________ is hereby appointed as the initial Trustee, Paying Agent and Bond Registrar.

Section 9.2 Responsibilities of Fiduciaries.

(a) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Agency and no Fiduciary assumes any responsibility for the correctness or completeness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture, or of any Bonds issued under this Indenture or as to the security afforded by this Indenture, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Agency or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect of this Indenture or to advance any of its own moneys, unless properly indemnified to its satisfaction. Subject to the provisions of subsection (b) of this Section 9.2, no Fiduciary shall be liable in connection with the performance of its duties under this Indenture except for its own negligence or willful misconduct.

(b) The Trustee, prior to the Occurrence of an Event of Default or a General Obligation Bond Default and after the curing of all Events of Default and General Obligation Bond Defaults that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default or a General Obligation Bond Default has occurred (and has not been cured) the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provisions of this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 9.2.

(c) No Fiduciary shall have any responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(d) The Trustee shall not be deemed to have knowledge of an Event of Default hereunder, or any other document related to the Bonds unless it shall have actual knowledge of such Event of Default at its Corporate Trust Office.

(e) Before taking any action under Article VII or Article VIII hereof, the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder.

(f) The immunities extended to each Fiduciary also extend to its directors, officers, employees and agents.

(g) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.
(h) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(i) Each Fiduciary may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

Section 9.3 Evidence on Which Fiduciaries May Act.

(a) Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Indenture or any Series Indenture, shall examine such instrument to determine whether it conforms to the requirements of this Indenture and the related Series Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be of counsel to the Agency, and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Indenture in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in this Indenture) may be deemed conclusively to be proved and established by an Agency Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion and in lieu thereof, the Fiduciary may accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of this Indenture by the Agency to any Fiduciary shall be sufficiently executed if executed in the name of the Agency by the Authorized Officer.
Section 9.4 Compensation of Fiduciaries; Fiduciary Liens. Subject to the terms and conditions of any other agreements between the Agency and one or more Fiduciaries, the Agency shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Indenture. In consideration of the express provisions of the Indenture regarding the payment of Fiduciary Expenses, each Fiduciary by acceptance of its appointment hereunder waives any right at law or in equity for the imposition of an implied lien on the Revenues and assets pledged hereunder. Subject to the provisions of Section 9.2, the Agency agrees to indemnify and save each Fiduciary harmless against any liabilities it may incur in the exercise and performance of its powers and duties hereunder that are not due to its negligence or willful misconduct. The obligations of the Agency hereunder shall survive the termination or discharge of this Indenture or the resignation or removal of the Trustee.

Section 9.5 Certain Permitted Acts. Any Fiduciary may become the owner of any Bonds with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Holders of a majority in Aggregate Principal Amount of the Bonds then Outstanding. If any Fiduciary incurs expenses or renders services after an Event of Default has occurred, such expenses and compensation for such services are intended to constitute expenses of administration under any bankruptcy law.

Section 9.6 Resignation of Trustee. The Trustee may resign at any time and be discharged of the duties and obligations created by this Indenture by giving not less than 60 days written notice to the Agency and to Bondholders, at its own expense and without reimbursement therefor, specifying the date when such resignation shall take effect and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Agency or the Bondholders as provided in Section 9.8, in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor Trustee has been appointed pursuant to Section 9.8.

Section 9.7 Removal of Trustee. The Trustee may be removed upon at least 30 days written notice (i) at any time by an instrument or concurrent instruments in writing, filed with the Trustee and the Agency, and signed by the Bondholders representing a majority in Aggregate Principal Amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Agency, or (ii) by the Agency in its sole and absolute discretion at any time except during the continuance of an Event of Default or a General Obligation Bond Default by filing with the Trustee notice of removal in the form of an Agency Certificate. In no event, however, shall such removal take effect until a successor Trustee has been appointed pursuant to Section 9.8.

Section 9.8 Appointment of Successor Trustee: Temporary Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Agency covenants and agrees that it thereupon will appoint a successor Trustee.

(b) If no appointment of a successor Trustee shall be made by the Agency pursuant to the foregoing provisions of this Section 9.8 within 45 days after the Trustee shall have given to the Agency written notice as provided in Section 9.6 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act or its removal, the Trustee or any Bondholder may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court, after such notice, if any, as such court may deem proper, thereupon may appoint a successor Trustee.

(c) Every such Trustee appointed pursuant to the provisions of this Section shall (i) be a bank or trust company in good standing, and (ii) have a reported capital and surplus of not less than $50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. Any successor
Trustee shall serve for a fee not in excess of the fee paid to the initial Trustee unless otherwise approved by the Agency.
Section 9.9 Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Agency, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act nevertheless, on the written request of the Agency or of the successor Trustee, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in or pursuant to this Indenture. Should any deed, conveyance or instrument in writing from the Agency be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Agency. Any such successor Trustee promptly shall notify the Depositaries, if any, of its appointment as Trustee.

Section 9.10 Merger or Consolidation of Fiduciaries. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 9.11 Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered by a predecessor Trustee, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated. In case any of such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in such Bonds or in this Indenture provided that the certificate of the Trustee shall have.

Section 9.12 Paying Agents: Appointment, Resignation or Removal: Successor. The Agency shall appoint one or more Paying Agents for the Bonds and may at any time and from time to time appoint one or more other Paying Agents having the qualifications set forth in this Section for a successor Paying Agent. The Trustee or the Bond Registrar may be appointed a Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof. Unless otherwise provided, the principal offices of the Paying Agents are designated as the respective offices of the Agency for the payment of the interest on and principal or Redemption Price of the Bonds. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days written notice to the Agency and the Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by the Agency. Any successor Paying Agent shall be appointed by the Agency with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital, surplus and undivided profits aggregating at least $10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.
Section 9.13 Bond Registrar: Appointment, Resignation or Removal; Successor. The Agency shall appoint a Bond Registrar. The Trustee or any Paying Agent may be appointed the Bond Registrar. The Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing and delivering to the Agency and to the Trustee a written acceptance thereof. Unless otherwise provided, the principal offices of the Bond Registrar are designated as the respective offices of the Agency for the maintenance of registration books for the Bonds. The registration books for the Bonds shall be maintained by the Bond Registrar on both a current and historical basis. The Bond Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days written notice to the Agency and the Trustee. The Bond Registrar may be removed at any time by an instrument filed with such Bond Registrar and the Trustee and signed by the Agency. Any successor Bond Registrar shall be appointed by the Agency with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital, surplus and undivided profits aggregating at least $10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. In the event of the resignation or removal of the Bond Registrar, such Bond Registrar shall deliver all records, Bonds and other documents held by it as Bond Registrar to its successor, or if there be no successor to the Trustee. In the event that for any reason there shall be a vacancy in the office of the Bond Registrar, the Trustee shall act as such Bond Registrar.

ARTICLE X
SUPPLEMENTAL INDENTURES

Section 10.1 Supplemental Indentures Effective Upon Execution and Delivery. For any one or more of the following purposes, and at any time or from time to time, Supplemental Indentures may be executed and delivered by the Agency and the Trustee without the consent of Bondholders:

(a) To add to the covenants and agreements of the Agency in this Indenture, other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(b) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with this Indenture as theretofore in effect;

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

(d) To modify any provisions of this Indenture in any respect whatever, provided that the modification, in the sole judgment of the Agency, is reasonably necessary to assure that the interest on any Tax-Exempt Bonds remains excludable from the gross income of the owners thereof for federal income tax purposes.

(e) To provide for the issuance of Bonds pursuant to this Indenture and to provide for the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed.

(f) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

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

(h) To provide for additional duties of the Trustee in connection with the Mortgage Loans;

(i) To waive any right reserved to the Agency, provided that the loss of such right shall not adversely impair the Revenues available to pay the Outstanding Bonds;
(j) To make any other amendment or change that will not materially adversely affect the interest of Owners of Outstanding Bonds; or

(k) To make any other amendment or change that will not result in a downgrade, suspension or withdrawal of the then-current rating assigned to any Bond by a Rating Agency.

Section 10.2 Supplemental Indentures Requiring Consent of Bondholders. At any time or from time to time, the Agency and the Trustee may execute and deliver a Supplemental Indenture subject to consent by the Bondholders in accordance with and subject to the provisions of Article XI.

Section 10.3 General Provisions.

(a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article X and Article XI. Nothing in this Article X or Article XI shall affect or limit the right or obligation of the Agency to adopt, make, do, execute, acknowledge or deliver any certificate, act or other instrument pursuant to the provisions hereof or the right or obligation of the Agency to execute and deliver to any Fiduciary any instrument that elsewhere in this Indenture it is provided shall be delivered to said Fiduciary.

(b) (i) Any Supplemental Indenture referred to and permitted or authorized by Section 10.1 may be executed and delivered by the Agency without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Section, respectively.

(ii) Every Supplemental Indenture shall be accompanied by a Counsel’s Opinion stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and is valid and binding upon the Agency and enforceable in accordance with its terms, subject to bankruptcy, insolvency and other similar laws affecting the enforcement of creditors’ rights and the availability of equitable remedies.

(iii) Every Supplemental Indenture executed and delivered pursuant to Section 10.1(d) shall be accompanied by an opinion of Bond Counsel to the effect that any such modification made pursuant to Section 10.1(d) will not cause the interest on any Tax-Exempt Bonds to be included in gross income under Section 103 of the Code.

(c) The Trustee is hereby authorized to enter into any Supplemental Indenture referred to and permitted or authorized by Sections 10.1 or 10.2 and, subject to a requirement of Bondholders’ consent, if any, to make all further agreements and stipulations that may be contained therein, and the Trustee, in taking such action, shall be protected fully in relying on an opinion of counsel (which may be a Counsel’s Opinion) that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

(d) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written consent.

(e) A copy of each Supplemental Indenture executed and delivered by the Agency pursuant to Articles X and XI shall be mailed by the Trustee to each Rating Agency.
ARTICLE XI
AMENDMENTS AND MODIFICATIONS
REQUIRING CONSENT OF BONDHOLDERS

Section 11.1 Mailing. Any provision in this Article XI for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only:

(a) To each Owner of Bonds then Outstanding at such Owner’s address, if any, appearing upon the registry books of the Agency, and

(b) To the Trustee.
Section 11.2 Powers of Amendment. Any modification or amendment of this Indenture and of the rights and obligations of the Agency and of the Bondholders, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 11.3 of the Holders of at least a majority in Aggregate Principal Amount of the Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of all such Bonds, or shall reduce the percentages of Bonds the consent of the Holders of which is required to effect any such modification or amendment without the consent of the Holders of all Bonds then Outstanding or shall change the provisions of this Indenture relating to the ability to declare the Aggregate Principal Amount of Bonds to be due and payable or shall materially adversely affect the rights of the Holders of Short Term Bonds without the consent of the Holders of a majority in Aggregate Principal Amount of Short Term Bonds then Outstanding; or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereeto. If any such modification or amendment will, by its terms not take effect so long as any Bonds of any particular Series, tenor and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. The Trustee, relying upon a Counsel's Opinion, may determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular maturity would be affected by any modification or amendment of this Indenture, and any such determination shall be binding and conclusive on the Agency and the Bondholders.
Section 11.3  Consent of Holders of Bonds. The Agency at any time may execute and deliver a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 11.2, to take effect when and as provided in this Section 11.3. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Bond Registrar, shall be mailed by the Agency to the Owners of the Bonds. Such Supplemental Indenture shall not be effective unless and until (i) there shall have been filed with the Trustee (A) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 11.2 and (B) a Counsel’s Opinion stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the Agency in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the Agency and enforceable in accordance with its terms, subject to bankruptcy, insolvency and other similar laws affecting the enforcement of creditors’ rights and the availability of equitable remedies and (ii) a notice shall have been mailed to Bondholders as provided in this Section 11.3. Each consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 13.2. A certificate or certificates by the Bond Registrar filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 13.2 shall be conclusive that the consents have been given by the Bondholders described in such certificate or certificates of the Bond Registrar. Any such consent shall be binding upon the Bondholder giving such consent and, anything in Section 13.2 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Bondholder thereof has notice thereof) unless such consent is revoked in writing by the Bondholder thereof by filing with the Bond Registrar, prior to the time when the written statement of the Bond Registrar hereinafter in this Section 11.3 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 13.2. The fact that a consent has not been revoked likewise may be proved by a certificate of the Bond Registrar filed with the Trustee to the effect that no revocation thereof is on file with the Bond Registrar. At any time after the Bondholders of the required percentage of Bonds shall have filed their consent to the Supplemental Indenture, the Bond Registrar shall make and file with the Agency and the Trustee a written statement that the Bondholders of such required percentage of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture executed and delivered by the Agency on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentage of Bonds and will be effective as provided in this Section 11.3, may be given to Bondholders by the Agency by mailing such notice to Bondholders (but failure to mail such notice shall not affect the validity of the Supplemental Indenture when consented to as provided in this Section 11.3) not more than 90 days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Bond Registrar hereinafore provided for is filed. The Agency shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 11.3 to be filed with the Trustee and the Bond Registrar, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modifications shall be deemed conclusively binding upon the Agency, the Fiduciaries and the Holders of all Bonds at the expiration of 30 days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 30 day period; provided, however, that any Fiduciary and the Agency during such 30 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 11.4  Modifications by Unanimous Consent. The terms and provisions of this Indenture or any Supplemental Indenture and the rights and obligations of the Agency and of the Bondholders may be modified or amended in any respect upon the issuance and filing by the Agency of a Supplemental Indenture and the consent of the Bondholders of all Bonds then Outstanding, such consent to be given as provided in Section 11.3, except that no notice of such consent to Bondholders by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders.
Section 11.5 Notation on Bonds. Bonds delivered after the effective date of any action taken as in Article X or this Article XI provided, may, and if the Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Agency, the Trustee and the Bond Registrar as to such action, and in that case upon demand of any Bondholder of any Bond Outstanding at such effective date and presentation of his Bond at the Corporate Trust Office of the Bond Registrar or upon any transfer or exchange of any Bond Outstanding on or after such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Bond Registrar as to any such action. If the Agency or the Bond Registrar shall so determine, new Bonds so modified as in the opinion of the Bond Registrar and the Agency to conform to such action shall be prepared, delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series, tenor and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XII

DISCHARGE OF INDENTURE; DEFEASANCE OF BONDS
Section 12.1 Discharge of Indenture in Entirety. If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Bondholders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of any Revenues, and other moneys and securities pledged under this Indenture and all covenants, agreements and other obligations of the Agency to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Agency to be prepared and filed with the Agency and, upon the request of the Agency, shall execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to or upon the order of the Agency all moneys or securities held by them pursuant to this Indenture that are not required for the payment of principal, or Redemption Price, if applicable, of or interest on Bonds not theretofore surrendered to them for such payment or redemption.

Section 12.2 Defeasance of Bonds. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or the Paying Agent (through deposit by the Agency of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in Section 12.1 or 12.2. Outstanding Bonds shall be deemed, prior to the maturity or redemption date thereof, to have been paid within the meaning and with the effect expressed in Section 12.1 or 12.2 if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Agency shall have given to the Bond Registrar in form satisfactory to it irrevocable instructions to mail as provided in Article III notice of redemption of such Bonds on said date; (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Obligations the principal of and the interest on which when due (whether at maturity or the prior redemption thereof at the option of the holder thereof) will provide moneys in an amount that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Agency shall have given to the Bond Registrar in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Bondholders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 12.2 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price of and interest on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this Section 12.2 nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds and any bonds or other obligations issued by the Agency the proceeds of which were used to acquire such Defeasance Obligations, in whole or in part; provided that no such principal of or interest on such Defeasance Obligations shall be applied to the payment of the principal or redemption price of or interest on such bonds or other obligations unless (x) the Trustee shall have received a schedule showing, for each year from the date of deposit of such Defeasance Obligations until the redemption date or maturity date of said Bonds, as the case may be, the amount of principal of and interest on such Defeasance Obligations and moneys, if any, deposited with the Trustee at the same time that will be available to pay the principal or Redemption Price of and interest due on said Bonds in each such year, plus the amount of any excess in each such year, and (y) the amount of such principal of or interest on such Defeasance Obligations to be so applied to the payment of such bonds or other obligations does not exceed in any year the amount of such excess for, or accumulated and unexpended to, such year. Notwithstanding any other provision of this Section 12.2, any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, to the extent practicable and, in accordance with an opinion of Bond Counsel filed with the Trustee, permitted by Section 103 of the Code, shall be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

ARTICLE XIII

MISCELLANEOUS
Section 13.1 Failure to Present Bonds. Anything in this Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds, which moneys remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such Bonds became due and payable, at the written request of the Agency, shall, to the extent permitted by law, be repaid by the Fiduciary to the Agency, as its absolute property and free from trust, and the Fiduciary thereupon shall be released and discharged with respect thereto and the Bondholders shall look only to the Agency for the payment of such Bonds.

Section 13.2 Evidence of Bondholders and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument that this Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or the holding by any person of the Bonds, shall be sufficient for any purpose of this Indenture (except as otherwise expressly provided in this Indenture) if made in the following manner, or in any other manner satisfactory to the Trustee and the Bond Registrar which nevertheless in their discretion may require further or other proof in cases where they deem the same desirable:

(i) The fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guaranty of the signature thereon by a bank, trust company or national banking association or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guaranty, certificate or affidavit also shall constitute sufficient proof of his authority.

(ii) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the Bond Register.

(b) Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Agency or any Fiduciary in accordance therewith.
Section 13.3 Bonds Not an Obligation of the State or Any Political Subdivision. The Bonds shall not be in any way a debt or liability or obligation of the State or of any political subdivision thereof and shall not create or constitute any indebtedness, liability or obligation of the State or of any such political subdivision or be or constitute a pledge of the faith and credit of the State or any such political subdivision, but all Bonds shall be payable solely from Revenues or funds pledged or available for their payment as authorized in this Indenture and the Act. Each Bond shall contain on its face a statement to the effect that neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal or Redemption Price of or interest on the Bonds.

Section 13.4 Moneys Held for Particular Bonds. Subject to the provisions of Section 13.1, the amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds, on and after such date and pending such payment, shall be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

Section 13.5 Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Agency, any other Fiduciary, and any Bondholders and their agents and their representatives, any of whom may make copies thereof.

Section 13.6 Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Agency, the Fiduciaries and the Bondholders, any right, remedy or claim under or by reason of this Indenture or any Supplemental Indenture or any covenant, condition or stipulation of this Indenture; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Fiduciaries and the Bondholders.

Section 13.7 No Recourse on the Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any officer, employee or agent of the Agency or any person executing the Bonds.

Section 13.8 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the Agency or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and in no way shall affect the validity of the other provisions of this Indenture.

Section 13.9 Successors. Whenever in this Indenture the Agency is named or referred to, it shall be deemed to include any entity that may succeed to the principal functions and powers of the Agency under the Act, and all the covenants and agreements contained in this Indenture by or on behalf of the Agency shall bind and inure to the benefit of said successor whether so expressed or not.

Section 13.10 Consents and Approvals. Whenever the written consent or approval of the Agency, Fiduciaries or Bondholders shall be required under the provisions of this Indenture, such consent or approval shall not be unreasonably withheld or delayed.

Section 13.11 Notices, Demands and Requests. All notices, demands and requests to be given or made under this Indenture to or by the Agency, the Bond Registrar, the Paying Agent or the Trustee shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows:

(a) Agency: California Housing Finance Agency
121 L Street, 7th Floor
Sacramento, California 95814
Attention: Director of Financing

(b) Trustee, Bond Registrar,
or Paying Agent:

The Agency, the Paying Agent, the Bond Registrar or the Trustee may change the address listed for it above at any time upon written notice of such change sent by United States mail, postage prepaid, to the Agency or the Trustee, as the case may be.

Section 13.12 Applicable Law. This Indenture shall be governed exclusively by the applicable laws of the State.

Section 13.13 Table of Contents and Section Heads Not Controlling. The Table of Contents and the headings of the several Articles and Sections have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision.

Section 13.14 Exclusion of Bonds. Bonds owned or held by or for the account of the Agency shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in Article VII, Article VIII or Article XI, and the Agency shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in said Article VII, Article VIII or Article XI. At the time of any consent or other action taken under said Article VII, Article VIII or Article XI, the Agency shall file with the Trustee and the Bond Registrar an Agency Certificate listing and describing all Bonds to be excluded.

Section 13.15 Counterparts. This General Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.16 Effective Date: Execution and Delivery. This General Indenture shall become effective upon its execution and delivery by the Agency and the Trustee.
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IN WITNESS WHEREOF, the California Housing Finance Agency has caused this General Indenture to be signed in its name by its Director of Financing and its corporate seal to be affixed hereto and attested by the Secretary of its Board of Directors, and [NAME OF TRUSTEE], in token of its acceptance of the trusts created hereunder, has caused this Series Indenture to be executed in its name by an authorized representative thereof, all as of the day and year first above written.

CALIFORNIA HOUSING FINANCE AGENCY

By: __________________________
    Director of Financing

[SEAL]

Attest:

______________________________
Secretary of the
    Board of Directors

[NAME OF TRUSTEE], as Trustee

By: __________________________
    Authorized Signatory
CALIFORNIA HOUSING FINANCE AGENCY

TO

[NAME OF TRUSTEE],
as Trustee

20__ SERIES__ SERIES INDENTURE

Dated as of __________, 20__

SECURING

[NAME OF BONDS]
20__ Series__

and

[NAME OF BONDS]
20__ Series__
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EXHIBIT A FORM OF BOND .................................................. A-1
This 20__ SERIES __ SERIES INDENTURE, dated as of __________, 20__, between the CALIFORNIA HOUSING FINANCE AGENCY (the “Agency”), a public instrumentality and political subdivision of the State of California, and [NAME OF TRUSTEE], as Trustee, a national banking association, duly organized and existing under the laws of the United States of America, with a corporate trust office located in __________, ________, and authorized under such laws to accept and execute trusts of the character herein set out,

WITNESSETH:

WHEREAS, the Agency has been created by Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California, as amended (herein called the “Act”), primarily for the purpose of assisting in meeting the housing needs of persons and families of low or moderate income and, incidental thereto, for the purpose of improving the quality of housing and of the housing market in the State of California;

WHEREAS, the Agency has entered into a General Indenture, dated as of __________, 20__ (the “General Indenture”), with the Trustee for the purposes set forth therein; and

WHEREAS, the General Indenture authorizes the Agency to issue Bonds pursuant to the General Indenture and one or more Series Indentures; and

WHEREAS, in order to accomplish the purposes set forth in the General Indenture, the Agency has determined it appropriate and necessary to issue bonds under this Series Indenture; and

WHEREAS, the execution and delivery of this Series Indenture has been in all respects duly and validly authorized by resolution duly adopted by the Agency; and

WHEREAS, all things necessary to make the 20__ Series __ Bonds (as hereinafter defined), when executed by the Agency and authenticated by the Bond Registrar, valid and binding legal obligations of the Agency and to make this Series Indenture a valid and binding agreement have been done;

NOW THEREFORE, THIS SERIES INDENTURE WITNESSETH:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.1 Authority. This Series Indenture is executed and delivered pursuant to the authority contained in the Act and Section 10.1 of the General Indenture.

Section 1.2 Definitions. All terms that are defined in Section 1.1 of the General Indenture shall have the same meanings in this Series Indenture and, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“Bond Year” means a twelve-month period ending on __________ of each year, except that the first Bond Year shall commence on the date of delivery of the 20__ Series __ Bonds and shall end on __________

“Cede” means Cede & Co., the nominee of DTC, and any successor nominee of DTC.

“Continuing Disclosure Agreement” means that certain Master Continuing Disclosure Agreement, dated as of __________, 20__, between the Agency and the Trustee, as supplemented by the Supplemental Disclosure Agreement, dated as of __________, 20__, relating to the 20__ Series __ Bonds, as it may be amended from time to time in accordance with the terms thereof.
“Debt Service Reserve Fund Requirement” means, with respect to the 20__ Series __ Bonds, an amount equal to __________ percent (___ %) of the Aggregate Principal Amount of all 20__ Series __ Bonds then Outstanding.


“Interest Payment Date” means __________ and each __________ and __________ thereafter until maturity or earlier redemption.

“Investment Agreement” means, __________

“20__ Series __ Compound Interest Bonds” means the 20__ Series __ Bonds maturing __________

“20__ Series __ Current Interest Bonds” means the 20__ Series __ Bonds other than the 20__ Series __ Compound Interest Bonds.

“20__ Series __ Mortgage Loan” means a Mortgage Loan which satisfies the requirements of Section 6.1 of this Series Indenture.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Participants” means those broker-dealers, banks and other financial institutions for which DTC holds 20__ Series __ Bonds as securities depository.

“Prior Bonds” means the following bonds of the Agency: __________

“Rebate Requirement” means the amount of arbitrage profits earned from the investment of gross proceeds of the 20__ Series __ Tax Exempt Bonds in nonpurpose investments described in Section 148( f)(2) of the Code and defined as “Rebate Amount” in Section 1.148-3 of the Treasury Regulations, which is payable to the United States at the times and in the amounts specified in Section 148( f)(3) of the Code and Section 1.148-3 of the Treasury Regulations.

“Representation Letter” means any letters of representations to and agreements with DTC with respect to the 20__ Series __ Bonds and any riders or supplements thereto.

“Tax Certificate” means the Tax Certificate of the Agency relating to the 20__ Series __ Bonds, signed by an Authorized Officer of the Agency.

Section 1.3 Pledge. Amounts on deposit in the 20__ Series __ subaccount of the Short Term Bond Proceeds Account are pledged solely for the payment of the Principal Installments and Redemption Price, if any, and interest on the 20__ Series __ Bonds.

ARTICLE II
AUTHORIZATION AND ISSUANCE OF 20__ SERIES __ BONDS

Section 2.1 Authorization of 20__ Series __ Bonds. Two Series of Bonds, to be issued hereunder, in order to obtain moneys to carry out the Program are hereby created, and shall be issued as set forth herein.

The first Series of Bonds (collectively, the “20__ Series __ Bonds”) shall be designated as “[NAME OF BONDS], 20__ Series __” (the “20__ Series __ Bonds”) and are hereby designated General Obligation
Bonds under the Indenture. The second Series of Bonds (collectively, the “20__ Series___ Bonds”) shall be designated as “[NAME OF BONDS], 20__ Series___” (the “20__ Series___ Bonds”) and are hereby designated Short Term Bonds under the Indenture.

Except as otherwise provided in this Section 2.1, the Aggregate Principal Amount of 20__ Series___ Bonds that may be issued and Outstanding under this Indenture shall not exceed $____$____, and the Aggregate Principal Amount of 20__ Series___ Bonds that may be issued and Outstanding under this Indenture shall not exceed $____$____.

The 20__ Series___ Bonds shall be issued only in fully registered form, without coupons. The 20__ Series___ Current Interest Bonds shall be dated __________, 20__. The 20__ Series___ Compound Interest Bonds and the 20__ Series___ Bonds shall be dated their date of delivery.

Section 2.2 Terms of 20__ Series___ Bonds.

(a) The 20__ Series___ Bonds. (1) The 20__ Series___ Current Interest Bonds shall mature on the following dates and in the following Aggregate Principal Amounts, subject to the right of prior redemption as hereinafter set forth, and bear interest, payable on each Interest Payment Date, at the following respective rates per annum:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity Date</th>
<th>Aggregate Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
</table>

Interest on the 20__ Series___ Current Interest Bonds shall be payable on each Interest Payment Date until maturity or earlier redemption. Interest on the 20__ Series___ Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The 20__ Series___ Current Interest Bonds shall be issued in the denomination of $5,000 or any integral multiple thereof.

(2) The 20__ Series___ Compound Interest Bonds shall be issued in the following initial principal amounts, mature on the following dates and accrete at the following respective rates of interest per annum:

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Initial Principal Amount</th>
<th>Yield to Maturity</th>
</tr>
</thead>
</table>

Interest on the 20__ Series___ Compound Interest Bonds shall be compounded semiannually on __________ and __________, and shall be payable upon maturity or prior redemption. Interest on the 20__ Series___ Compound Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Denominations and Aggregate Principal Amount. The 20__ Series___ Current Interest Bonds are issuable only in denominations of $5,000 and any integral multiple thereof. The Aggregate Principal Amount of the 20__ Series___ Current Interest Bonds shall be the principal amount thereof.

The 20__ Series___ Compound Interest Bonds shall be issued in denominations specified in the following table and any authorized multiple thereof:
The Accreted Value of the 20__ Series__ Compound Interest Bonds on their date of delivery and on each February 1 and August 1 thereafter to maturity is set forth in the Accreted Value Table attached hereto as Exhibit__, as calculated by the Trustee. The calculation of Accreted Value of any 20__ Series__ Compound Interest Bonds by the Trustee shall be binding and conclusive as to the Accreted Value of the 20__ Series__ Compound Interest Bonds on all holders thereof.

The 20__ Series__ Bonds shall be numbered consecutively from 1 upwards with the prefix R__, preceding each number.

(c) 20__ Series__ Bonds. The 20__ Series__ Bonds shall mature on ____________ 20__ in the Aggregate Principal Amount of $____________, subject to the right of prior redemption as hereinafter set forth, and shall bear interest, payable on each Interest Payment Date, at the rate of _____% per annum.

(1) Interest on the 20__ Series__ Bonds shall be payable on each Interest Payment Date until maturity or earlier redemption. Interest on the 20__ Series__ Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The 20__ Series__ Bonds shall be issued in the denomination of $5,000 or any integral multiple thereof.

(2) The 20__ Series__ Bonds shall be numbered consecutively from 1 upwards with the prefix R__, preceding each number.

(d) The principal or Redemption Price of and interest on the 20__ Series__ Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Paying Agent, or its successors as Paying Agent hereunder. At the written request of any Bondholder of at least $5,000,000 aggregate principal amount of 20__ Series__ Bonds or 20__ Series__ Bonds delivered to the Bond Registrar during any time while 20__ Series__ Bonds or 20__ Series__ Bonds, as the case may be, are not in book-entry form, the principal or Redemption Price of and interest on the 20__ Series__ Bonds or the 20__ Series__ Bonds may be paid by wire transfer within the United States to the bank account number of such Bondholder on the bond register. In case of any such payment by wire transfer, theCUSIPnumber or numbers of Bonds being paid shall be included in the wire transfer.

(e) Each 20__ Series__ Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of such Bond, unless such Bond is authenticated on an Interest Payment Date, in which event such Bond shall bear interest from such Interest Payment Date, or unless such Bond is authenticated prior to the first Interest Payment Date, in which event such Bond shall bear interest from its dated date, or unless, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest has been paid in full or unless no interest shall have been paid on the 20__ Series__ Bonds or the 20__ Series__ Bonds, as the case may be, in which event such Bond shall bear interest from its dated date. Payment of interest on any 20__ Series__ Bond shall be made to the person whose name appears on the Bond registration books of the Bond Registrar as the registered owner thereof on the Record Date, such interest to be paid by check mailed to the registered owner at his address as it appears on such registrationbooks or at such other address as he may have filed with the Bond Registrar for that purpose, and the Bond Registrar shall keep a record in such registrationbooks or at such other address as it appears on such registrationbooks or at such other address as he may have filed with the Bond Registrar for that purpose.

(f) The 20__ Series__ Bonds shall be subject to redemption as provided in Article III of this Series Indenture.
Section 2.3  **Form of Bonds and Certificate of Authentication.** The forms of the 20___ Series___ Bonds and the 20___ Series___ Bonds and the Bond Registrar’s Certificate of Authentication shall be substantially as set forth in Exhibit____ of this Series Indenture.

Section 2.4  Purposes. The 20___ Series___ Bonds are authorized to provide moneys to make deposits in the Funds and Accounts required by the Indenture, and to apply such moneys as set forth therein and as more particularly set forth in Article IV hereof.

Section 2.5  **Book-Entry System.**

(a) The 20___ Series___ Bonds shall be initially issued in the form of a separate single certificated fully registered 20___ Series___ Bond for each Series, tenor and maturity set forth in Section 2.2 hereof. Upon initial issuance, the ownership of each 20___ Series___ Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC. Except as provided in Section 2.5(d) hereof, all of the Outstanding 20___ Series___ Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC.

(b) With respect to 20___ Series___ Bonds registered in the registration books kept by the Bond Registrar in the name of Cede, as nominee of DTC, the Agency, the Trustee, the Bond Registrar and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the 20___ Series___ Bonds. Without limiting the immediately preceding sentence, the Agency, the Bond Registrar, the Paying Agent and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC. Cede or any Participant with respect to any ownership interest in the 20___ Series___ Bonds, (ii) the delivery to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the 20___ Series___ Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal of, premium, if any, or interest on the 20___ Series___ Bonds. The Agency, the Bond Registrar, the Paying Agent and the Trustee may treat and consider the person in whose name each 20___ Series___ Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the 20___ Series___ Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided in Section 2.2 of this Series Indenture, and all such payments shall be valid and effective to fully satisfy and discharge the Agency’s obligations with respect to payment of principal of, premium, if any, and interest on the 20___ Series___ Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books kept by the Bond Registrar, shall receive a certificated 20___ Series___ Bond evidencing the obligation of the Agency to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word “Cede” in this Series Indenture shall refer to such new nominee of DTC; and upon receipt of such a notice the Bond Registrar shall promptly deliver a copy of the same to the Trustee, if the Trustee is other than the Bond Registrar.

(c) The Representation Letter has been executed and delivered by the Agency and is hereby ratified. The Trustee, the Bond Registrar and the Paying Agents shall take all action necessary for all representations of the Agency in the Representation Letter with respect to actions to be taken by the Trustee, the Bond Registrar and the Paying Agents, respectively, to at all times be complied with.

(d) (i) DTC may discontinue providing its services as securities depository with respect to the 20___ Series___ Bonds at any time by giving reasonable notice to the Agency, the Trustee and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law.

(ii) The Agency, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 20___ Series___ Bonds if the Agency determines that:
(A) DTC is unable to discharge its responsibilities with respect to the 20__ Series Bonds, or

(B) a continuation of the requirement that all of the Outstanding 20__ Series Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede, or any other nominee of DTC, is not in the best interest of the beneficial owners of the 20__ Series Bonds.

(iii) Upon the termination of the services of DTC with respect to the 20__ Series Bonds pursuant to subsection 2.5(d)(ii)(B) of this Series Indenture, or upon the discontinuance or termination of the services of DTC with respect to the 20__ Series Bonds pursuant to subsection 2.5(d)(i) or subsection 2.5(d)(ii)(A) of this Series Indenture after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Agency, is willing and able to undertake such functions upon reasonable and customary terms, or in the event it is so determined that continuation of the system of book-entry transfers is not in the best interests of the beneficial owners, the Agency is obligated to deliver Bond certificates at the expense of the beneficial owners of the 20__ Series Bonds, as described in this Indenture and the 20__ Series Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging 20__ Series Bonds shall designate, in accordance with the provisions of the Indenture.

(c) Notwithstanding any other provision of the Indenture to the contrary, so long as any 20__ Series Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE III

REDEMPTION OF 20__ SERIES BONDS

Section 3.1 Special Redemption.

(a) The 20__ Series Bonds are subject to special redemption prior to their respective stated maturities as a whole or in part at the principal amount thereof plus accrued interest thereon to the date of redemption or Accreted Value thereof, without premium, at any time on and after ________, 20__, from amounts transferred from the 20__ Series subaccount of the Acquisition Account to the 20__ Series subaccounts of the Redemption Fund pursuant to Section 5.2(c).

Moneys deposited in or transferred to the 20__ Series subaccounts of the Redemption Fund as described in the preceding paragraph shall be applied to redeem 20__ Series Bonds as follows: __________

If less than all of the 20__ Series Bonds are to be redeemed in accordance with the preceding paragraph, the 20__ Series Bonds shall be redeemed on a pro rata by maturity basis within a Series or as directed by the Agency in written instructions to the Trustee.

(b) The 20__ Series Bonds are subject to special redemption prior to their respective stated maturities as a whole or in part at the principal amount thereof plus accrued interest thereon to the date of redemption or Accreted Value thereof, without premium, at any time on and after ________, 20__, from amounts on deposit in the 20__ Series subaccount of the Special Redemption Account, and from amounts in excess of the Debt Service Reserve Fund Requirement transferred from the related subaccount of the Debt Service Reserve Fund to the related subaccount of the Redemption Fund.

[insert applicable redemption provisions]
Section 3.2  20__ Series __ Sinking Fund Installments.

(a) The 20__ Series __ Term Bonds maturing on ___________ shall be redeemed prior to their maturity, in part by lot by payment of 20__ Series __ Sinking Fund Installments, upon notice as provided in Section 3.2 of the General Indenture, on each of the dates set forth below and in the respective Accreted Value set forth opposite each such date, in each case at a Redemption Price of 100% of the Accreted Value of such Bonds or portions thereof to be redeemed, as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Initial Issue Amount</th>
<th>Accreted Value</th>
</tr>
</thead>
</table>

*Final Maturity

Section 3.3 Optional Redemption. (a) The 20__ Series __ Bonds maturing on or after ___________, are subject to redemption at the option of the Agency on or after ___________, 20__, either in whole at any time or in part on any Interest Payment Date, at a Redemption Price equal to (i) in the case of the 20__ Series __ Current Interest Bonds, the principal amount thereof plus the accrued interest thereon to the date of redemption and (ii) in the case of the 20__ Series __ Compound Interest Bonds, the Accreted Value thereof.

(b) The 20__ Series __ Bonds are subject to redemption at the option of the Agency on or after ___________, either in whole or in part on any Business Day at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date of redemption.

(c) In the event of a partial optional redemption, the Agency shall direct the Series, the maturity or maturities, and the amounts thereof, so to be redeemed.

ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

Section 4.1 Proceeds of the 20__ Series __ Bonds.

(a) The proceeds of the sale and delivery of the 20__ Series __ Bonds in the amount of $___________ shall be applied simultaneously with the delivery to the Trustee as follows:

(i) The amount of $___________ received upon the delivery of such portion of the 20__ Series __ Bonds as accrued interest shall be deposited in the 20__ Series __ subaccount of the Revenue Account; and

(ii) Proceeds of the 20__ Series __ Bonds in the amount of $___________ shall be deposited in the following funds and accounts:

$20__ Series __ subaccount of the Acquisition Account $___________
$20__ Series __ subaccount of the Debt Service Reserve Fund $___________

(iii) Such proceeds deposited in the Acquisition Account shall be applied in accordance with the provisions of the General Indenture as specified in Section 5.2 of this 20__ Series __ Series Indenture.

(b) All of such proceeds of the 20__ Series __ Bonds shall be invested in Investment Securities and a portion of such Investment Securities shall be exchanged for amounts on deposit in the Redemption Accounts established with respect to the Prior Bonds, as directed by a Request of the Agency.
Moneys transferred to the Debt Service Reserve Fund pursuant to the immediately preceding paragraph shall be deposited in subaccounts separate from the subaccounts into which the original proceeds of the 20___ Series ___ Bonds were deposited.

Moneys transferred to the 20___ Series ___ subaccount of the Acquisition Account as set forth above shall be invested pursuant to a Request of the Agency and deposited in subaccounts separate from the subaccounts into which the original proceeds of the 20___ Series ___ Bonds were deposited for the purchase of Mortgage Loans.

**Section 4.2 Proceeds of the 20___ Series ___ Bonds.**

(a) The proceeds of the sale and delivery of the 20___ Series ___ Bonds in the amount of $__________ shall be deposited simultaneously with the delivery thereof to the Trustee in the 20___ Series ___ subaccount of the Short Term Bond Proceeds Account.

(b) All of such proceeds of the 20___ Series ___ Bonds shall be invested in Investment Securities and a portion of such Investment Securities shall be exchanged for amounts on deposit in the Redemption Accounts established with respect to the Prior Bonds, as directed by a Request of the Agency.

Moneys transferred to the 20___ Series ___ subaccount of the Short Term Bond Proceeds Account pursuant to the immediately preceding paragraph shall be deposited in a subaccount separate from the subaccount into which the original proceeds of the 20___ Series ___ Bonds were deposited. Such moneys deposited in the 20___ Series ___ subaccount of the Short Term Bond Proceeds Account pursuant to the immediately preceding paragraph shall be deposited in a subaccount separate from the subaccount into which the original proceeds of the 20___ Series ___ Bonds were deposited. Such moneys deposited in the 20___ Series ___ subaccount of the Short Term Bond Proceeds Account shall not be used to purchase Mortgage Loans unless and until such 20___ Series ___ Bonds are refunded by bonds issued by the Agency on a long-term basis.

**Section 4.3 Interest Reserve Account Deposit.**

(a) The Trustee shall deposit $__________, from moneys deposited or to be deposited into the 20___ Series ___ subaccount of the Debt Service Reserve Fund, into the 20___ Series ___ subaccount of the Interest Reserve Account of the 20___ Series ___ subaccount of the Debt Service Reserve Fund.

(b) An amount equal to __________ percent (__%) of the Aggregate Principal Amount of 20___ Series ___ Bonds Outstanding is required to be deposited and maintained in the 20___ Series ___ subaccount of the Interest Reserve Account until __________ 20__ (or such earlier date as the Agency may determine at the time the period for the acquisition of 20___ Series ___ Mortgage Loans ends, as specified in writing by the Agency to the Trustee) on which date amounts remaining in the 20___ Series ___ subaccount of the Interest Reserve Account shall be transferred to the 20___ Series ___ subaccount of the Debt Service Reserve Fund and the 20___ Series ___ subaccount of the Interest Reserve Account shall be closed.

**Section 4.4 Agency Contribution.** Simultaneously with the delivery of the 20___ Series ___ Bonds, the Agency shall deposit with the Trustee the amount of $__________, which shall be deposited in and credited to the 20___ Series ___ subaccount of the Costs of Issuance Account and used solely to pay Costs of Issuance related to the 20___ Series ___ Bonds.

**ARTICLE V**

**ESTABLISHMENT OF CERTAIN SUBACCOUNTS; APPLICATION OF REBATE ACCOUNT**

**Section 5.1 Establishment of Accounts and Subaccounts.**

The following subaccounts are hereby created and established as special trust funds within the Funds and Accounts created and established pursuant to the General Indenture:
the 20__ Series__ subaccount of the Acquisition Account;

the 20__ Series__ subaccount of the Cost of Issuance Account;

the 20__ Series__ subaccount of the Revenue Account;

the 20__ Series__ subaccount of the Short Term Bond Proceeds Account;

the 20__ Series__ subaccount of the Revenue Account;

the 20__ Series__ subaccount of the Debt Service Reserve Fund, which shall include the 20__ Series__ subaccount of the Interest Reserve Account;

the 20__ Series__ subaccount of the Debt Service Fund;

the 20__ Series__ subaccount of the Short Term Bond Debt Service Fund;

the 20__ Series__ subaccount of the Special Redemption Account;

Section 5.2 Program Fund and Acquisition Account.

[specify uses of funds].

Section 5.3 Rebate Account. The Tax Certificate is hereby incorporated herein in its entirety by this reference. The Trustee shall make transfers to and withdrawals from the Rebate Account pursuant to instructions delivered by the Agency in accordance with the Tax Certificate. The Trustee shall provide to the Agency the information required to be provided to the Agency pursuant to the Tax Certificate upon the written request of the Agency. Transfers shall be made to the Rebate Account from such Funds and Accounts held under the Indenture as the Agency shall designate in its written instructions to the Trustee; provided, however, in the event any such withdrawal or transfer would result in insufficient funds being available to pay the Aggregate Debt Service on the Bonds on the next succeeding Bond Payment Date, the Agency covenants to make any such rebate payment from any other lawfully available funds of the Agency. Investment earnings on moneys in the Rebate Account shall be deposited into such Account. Losses on the investment of moneys in the Rebate Account shall be debited to such Account. Moneys in the Rebate Account shall be paid to the United States Government as directed by the Agency, pursuant to the Tax Certificate, in compliance with the timetable set forth in Section 148(f)(3) of the Code and, to the extent permitted by the Code, shall be used to pay the costs of rebate calculations incurred pursuant to the Tax Certificate.

Section 5.4 Limitation on Payment of Fiduciary and Program Expenses.

Fiduciary Expenses that may be paid from the 20__ Series__ subaccount of the Revenue Account pursuant to Section 5.4(d)(____) of the General Indenture may not exceed _____% of the Aggregate Principal Amount of all 20__ Series__ Bonds then Outstanding.

Program Expenses and Fiduciary Expenses that may be paid from the 20__ Series__ subaccount of the Revenue Account pursuant to Section 5.4(d)(____) of the General Indenture may not exceed _____% of the Aggregate Principal Amount of all 20__ Series__ Bonds then Outstanding.

Section 5.5 Investments.

No investment of moneys shall be made at a “yield” in excess of the maximum yield, if any, stated with respect to the source of moneys therefor in any arbitrage or other similar certificate issued by the Agency pursuant to the Code in connection with the issuance of the 20__ Series__ Bonds except during any “temporary period” stated in such arbitrage or other similar certificate or as otherwise authorized therein. Notwithstanding the
foregoing, investments may be made at a higher "yield and/or for a different "temporary period" in accordance with an opinion of Bond Counsel filed with the Trustee.

The Trustee shall make and keep appropriate records identifying all amounts credited to all Accounts and subaccounts that it maintains under the Indenture, identifying the respective investment yields provided by the investment of such amounts in Investment Obligations and containing copies of all Agency Requests or Certificates filed with the Trustee and all opinions of Bond Counsel filed with the Trustee pursuant to this Section 5.5.

**ARTICLE VI**

**ADDITIONAL COVENANTS**

**Section 6.1 20__ Series __ Mortgage Loans.** Each 20__ Series __ Mortgage Loan made or purchased by the Agency with moneys in the 20__ Series __ subaccount of the Acquisition Account must meet the following requirements as conditions precedent to its acquisition:

[describe Mortgage Loan requirements]

**Section 6.2 Servicing Fees.**

Unless the Agency shall file with the Trustee an Agency Certificate specifying a different rate, Servicing Fees with respect to 20__ Series __ Mortgage Loans shall not exceed __% per annum of the outstanding principal balance of such Mortgage Loans.

**Section 6.3 Tax Covenants.**

[insert applicable tax covenants]

**Section 6.4 Continuing Disclosure.** The Agency and the Trustee hereby covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Agency or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the written request of the Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 20__ Series __ Bonds, to the extent indemnified from any liability, cost or expense, including without limitation the fees and expenses of its attorneys, shall or any 20__ Series __ Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or the Trustee, as the case may be, to comply with its obligations under this Section. For purposes of this Section, Beneficial Owner shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 20__ Series __ Bonds (including persons holding 20__ Series __ Bonds through nominees, depositories or other intermediaries).

**Section 6.5 Provisions Concerning Appropriations.** If and so long as any order or other action by a court exists which challenges or in any way questions the validity of the continuing appropriation set forth in Section 51000 of the Act:

(a) the Agency shall request the State Legislature, as and when needed, but no less often than annually, to appropriate all amounts in the California Housing Finance Fund to the Agency necessary to carry out the purposes of the Act;

(b) the Agency shall request the State Legislature, as and when needed, but no less often than annually, to appropriate all amounts held in the Debt Service Reserve Fund to the Agency for the purposes for which such Fund was created, including the payment of debt service on any Bonds for which no other appropriation has yet been made and for which no other amounts are available; and
the obligations of the Agency under the Indenture shall be limited to amounts appropriated by the State Legislature or otherwise made available, from time to time, to pay amounts due under the Indenture for the fiscal year in which such payments are due.

ARTICLE VII

SEVERABILITY

Section 7.1 Severability and Invalid Provisions. If any one or more of the covenants or agreements provided in this Series Indenture on the part of the Agency to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Series Indenture.

ARTICLE VIII

INSURANCE PROVISIONS

Section 8.1 Insurance Provisions. [insert bond insurance provisions if applicable]
IN WITNESS WHEREOF, the California Housing Finance Agency has caused this Series Indenture to be signed in its name by its Director of Financing and its corporate seal to be affixed hereto and attested by the Secretary of its Board of Directors, and [NAME OF TRUSTEE], in token of its acceptance of the trusts created hereunder, has caused this Series Indenture to be executed in its name by an authorized representative thereof, all as of the day and year first above written.

CALIFORNIA HOUSING FINANCE AGENCY

By ________________________________
Director of Financing

[SEAL]

Attest:

______________________________
Secretary of the
Board of Directors

[NAME OF TRUSTEE], as Trustee

By ________________________________
Authorized Signatory
EXHIBIT A

FORM OF BOND

[insert as appropriate]
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