



## Vermont Housing Finance Agency

**VHFA Board of Commissioners Meeting Minutes**  
by Telephone Conference  
initiated at  
Vermont Housing Finance Agency  
164 St. Paul Street, Burlington, Vermont  
Monday, December 4, 2006 at 9:30 a.m.

**VHFA Board Members Present:**

Lisa Mitiguy Randall – Chair, Robert Alberts, Thomas Candon (designee for Crowley), Dayne Canney, Kevin Dorn, Bart Frisbie, Beth Pearce (designee for Spaulding), Gus Seelig, Jeb Spaulding

**VHFA Board Member Absent:**

Paul Beaulieu

**Staff:** Dave Adams, Sarah Carpenter, Maura Collins, Tom Connors, Renee Couture, Pat Crady, Elizabeth Mullikin Drake, Joe Erdelyi, Sam Falzone, Pat Loller

Chair Randall called the meeting to order at 9:35 a.m. A quorum of the Board was present.

### **BOARD MINUTES**

Mr. Alberts made a motion to approve the November 6, 2006 Board of Commissioners meeting minutes. Mr. Frisbie seconded the motion which was unanimously approved.

### **CONSENT AGENDA**

Mr. Candon made a motion to approve the items on the Consent Agenda (restated here):

- ~ Waiver of Home Buyer Education Requirement for Non-First Time Buyers using the Fixed 35 Option
- ~ Resolution Re: 401(k) Plan for the Adoption of Provisions of the Final Regulations Under Internal Revenue Code Sections 401(k) and 401(m) and Provisions of the Proposed Regulations Under Internal Revenue Code Section 415
- ~ [Resolution] Regarding KeyBank Non-Revolving Borrowing
- ~ Resolution Authorizing the Issuance and Sale of a Maximum of \$35,000,000 of Bonds in One or More Series to Finance Multi-Family Projects

Ms. Canney seconded the motion which was unanimously approved.



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## **MULTIFAMILY**

### ***Northgate, Burlington ("Northgate") – Transfer of Ownership to Residents***

Mr. Falzone reviewed his memo regarding Northgate Residents Ownership Corporation's (NROC) request of VHFA for conceptual approval of the assumption of existing debt from Northgate Housing Limited Partnership, subject to approvals from VHCB, HUD and the IRS.

Mr. Candon asked what would happen if the Board did not approve the request. Mr. Falzone explained that the current ownership structure would remain intact, but, that this would be counter to the model envisioned for this project, adding that transition of ownership to tenants is a second tier priority in the Allocation Plan adopted by the VHFA Board. He further explained that Northgate has been a great success in terms of a preservation model and use of tax credits, in large part because of the continuity of people involved (the resident's association has always been a co-general partner). To Mr. Candon's question about whether there would be more or less risk to the Agency, Ms. Mullikin Drake explained that there should be no change in the financial risk to the Agency. Ms. Carpenter added that VHFA staff will continue to have some oversight through its approval of the management company, per the Regulatory Agreement.

Ms. Randall asked about the amount of existing debt. Mr. Falzone explained that the amount of debt is about \$19 million including accrued amounts of deferred interest, and the amount of VHFA debt is approximately \$1 million.

Mr. Seelig asked how much of the debt is active vs. deferred. Mr. Falzone replied that approximately \$6.5 million is active.

Mr. Frisbie expressed concern about the size of the residents' association making the oversight of the project cumbersome resulting in regression. Mr. Seelig shared his concern but emphasized that the Board was being asked for conceptual approval and that staff will continue to have oversight of the management company. Even so, Mr. Seelig would like to know how the community representatives to the NROC Board will get their seats, cautioning that this should probably not be a completely internal process.

Mr. Seelig made a motion to approve, in concept, NROC's assumption of the existing debt from Northgate Housing Limited Partnership, subject to approvals by VHCB, HUD and the IRS. Ms. Pearce seconded the motion. The motion was unanimously approved.

## **LEGISLATIVE UPDATE**

### ***2007 Legislative Session***

Ms. Carpenter reviewed her memo regarding issues likely to surface in the new legislative session and requested feedback from the Board about them. She added that she will continue the discussion at the January Board meeting, at which point there may be more specific proposals.

Regarding increasing the State Housing Credit by \$100,000 for new homeownership development, Mr. Dorn explained that, given the modest amount of the increase, it is unlikely that the proposed expansion would be in the form of an employee assisted housing program; instead, programs currently in place would likely be expanded.

Regarding the establishment of a statewide rental registry with a fee attached to support rental housing code enforcement, Mr. Dorn commented that, although the administration does not yet have a position, his sense is that anything that involves increasing fees in housing will be a challenge to the administration. Mr. Seelig mentioned that there was a related Vermont Supreme Court decision a few weeks ago related to State code enforcement and asked whether that would impact the need for this bill. Ms. Mullikin Drake said that she would look into it. Mr. Frisbie is concerned about creating another layer of bureaucracy, ultimately increasing the cost to the tenant, when, he suspects, the majority of rental unit owners comply with code.

Regarding the New Neighborhoods Initiative, Ms. Carpenter reminded the Board members that they supported the bill last year. The same bill will be introduced this year. (Mr. Dorn will forward last year's Homes for Vermonters legislative draft to Ms. Carpenter who will distribute.) Mr. Dorn added that he, and, on behalf of the Governor, would appreciate the support of the VHFA Board for this initiative.

Regarding mobile home issues, Mr. Adams explained that the goal of any legislation introduced is to induce Freddie Mac and Fannie Mae to finance mobile homes. Mr. Adams believes that legislation will be re-introduced to convert mobile homes on leased land to Real estate. He added that there is no downside to the Agency as it already considers mobile homes it finances to be Real estate.

Mr. Adams explained that he has served on a study group, along with John Hall, which may introduce legislation requiring all home inspectors to become licensed. Mr. Adam's suggestion would be to make a licensing facility available but not required. The study group is continuing to meet; it has not reached full consensus on a formal recommendation.

### ***Property Transfer Tax Proposal***

Ms. Carpenter explained that the issue of property transfer taxes (PPT) will probably get the most attention, in the realm of affordable housing, from the legislature during the upcoming session. She asked for support from the Board with regards to expanding the VHFA PPT exemption up to \$140,000 and to include homes with RD and HOMELAND loans. There was consensus to follow through with this again this year.

She briefly reviewed her and Ms. Collins' memo regarding the property transfer tax proposal staff expects to be championed by NeighborWorks® Vermont Homeownership Centers and others. She explained that she expects there will be multiple proposals and that people will be looking to VHFA, as a lead state housing agency, for its opinion.

Ms. Randall pointed out that increasing the PPT rate on vacation and rental property and higher end homes could be fairly controversial, something realtors and some bankers and developers are likely to oppose. Mr. Alberts agreed. Ms. Randall is also concerned about raising the PTT on primary homes, adding that she wouldn't want to see the cost of purchasing a home increase because of a position the Agency has taken. Ms. Carpenter explained that some previous opponents may support an increase if the additional money goes back into housing.

Ms. Canney confirmed that Realtors would oppose an increase in the PTT, and that Realtors need to be pro-VHFA. Mr. Frisbie pointed out that raising the PTT on residential property seems contrary to the Agency's mission as it raises the price of housing.

Mr. Dorn believes that the Governor will not support an increase in taxes and asked why efforts haven't been put forth to retain, for housing, PPT revenues which are currently diverted to the general fund. Ms. Carpenter explained that there has been some effort to do this, something she would support, but there always is the question about how to raise the revenue that has been diverted to the general fund. Mr. Seelig also thinks there is an opportunity to dedicate more PTT revenue to housing, at least for a limited period of time. However, he cautioned that the legislative economist predicts a 20% PTT revenue reduction because of a slowing market. He also thinks that staff should have a discussion with the Governor to learn if there are any circumstances under which he would support a statutory formula increase.

Mr. Spaulding suggested staff obtain an independent economist's opinion (someone with expertise in the area of real estate marketing) about the impact of various scenarios for increasing the PTT. After more discussion, Ms. Carpenter said that staff would return to the Board in January or February with more information about the economic impact of an increase in PPT (possibly, with input from an expert in the field) and with information about how PPT revenues are currently distributed. Mr. Seelig offered to have VHCB help with some analysis.

## **OTHER**

### ***The Bank of New York***

Mr. Candon informed the Board and staff that The Bank of New York (BoNY) has purchased Mellon Bank, making BoNY the largest security servicing company in the world.

### ***Vermont Statewide Housing Conference***

Ms. Randall remarked that the housing conference was outstanding and congratulated staff on a job well done. Mr. Alberts concurred.

## **ADJOURNMENT**

Mr. Seelig made a motion to adjourn the meeting. Ms. Pearce seconded the motion and the Board unanimously approved to adjourn the meeting at 10:53 a.m.



## Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Liza Vedder Plantilla *gvp*

DATE: December 20, 2006

RE: Lake Champlain Apartments, Burlington; Loan Consolidation and Refinance

<b>Name:</b>	Lake Champlain Apartments	<b>Location:</b>	Burlington
<b>Housing Type:</b>	Multifamily	<b>Unit Type:</b>	Flats
<b>Unit Count:</b>	27 Units	<b>Unit Sizes:</b>	9 One Bedroom units 16 Two Bedroom units 2 Three Bedroom units
<b>Total Cost:</b>	\$1,364,128	<b>Per Unit Cost</b>	\$50,523
<b>Loan Requested:</b>	\$758,563 Permanent Loan	<b>Sponsor:</b>	Burlington Housing Authority (BHA)
<b>Other Funding:</b>	BHA Equity		

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

### Project Summary:

Lake Champlain Apartments is a three building scattered site project owned by the Burlington Housing Authority (BHA) located at 185 Pine Street and 234-237 Church Street in Burlington. The project has project based Section 8 which expires in 2011 and 2012. All three buildings were built c.1900 with rehabilitation and additions completed in 1981. The thirteen unit Pine Street building is in good condition having undergone minor renovations as well as roof and window replacements in a period stretching from 2001 to 2004. The fourteen units on Church Street have not seen renovation since 1981; at that time all the windows were replaced, and the kitchens and bathrooms were gutted. BHA has a solid track record for maintaining its properties, and recently completed C.N.A's for Lake Champlain Apartments. There are capital needs in the coming years that will exceed projected replacement reserves. It was also recently necessary for BHA to replace the twenty-seven hot water boilers in these buildings at an expense of approximately \$160,000.



Currently Lake Champlain Apartments has three VHFA permanent loans and one zero percent loan on these properties; the outstanding balance on these loans amounts to \$1,198,928. The rates on these loans range from 7.25% to 8.00%, and their monthly payment is \$13,386. BHA has proposed a refinance and consolidation of two of these loans at current rates of 6.75%. In addition to consolidating those two loans, they would like to increase the total amount by \$260,983. These additional proceeds will be used to repay BHA for the new boilers, as well as repay VHFA \$100,983 for the zero-percent loan that the project no longer needs, as it is able to carry more debt. The total amount of the new loan will be \$758,563. The third existing permanent loan of \$600,365 is only five years old, has a competitive rate, and will not be a part of the consolidation.

Even with this increase in debt (which will now total \$1,358,928) monthly payment will be approximately \$9,713, thanks to the lower rate. This annual saving of \$44,076 will be used to enhance reserves and should be sufficient to handle the capital needs projected by C.N.A for at least the next five years, if not longer. We have not yet received an appraisal from the sponsor, but the total new loan amount on these buildings is \$1,358,928 and the combined city assessed value (which is generally lower than appraised value) is \$1,861,900. In light of this information, staff would like to request a waiver on the appraisal requirement.

21-Dec-06 **Lake Champlain Apartments**

Total Residential Units:	27	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	0	Increase in Income from Other Sources:	1.00%
Percent Restricted:	0.00%	Increase after End of HAP	2.00%
Total Development Cost:	1,364,128	Expense increase:	3.50%
Total Development Cost per Unit:	50,523	Vacancy Rate:	2%
Total Development Cost Per SF:	65	Vacancy Rate after end of HAP:	10%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	n/a	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	n/a		

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term
Current VHFA Loan	600,365	44.01%	7.25%	25	25
New VHFA Loan	758,563	55.61%	6.25%	25	25
BHA	5,200	0.38%			
		0.00%			
<b>TOTAL SOURCES</b>	<b>1,364,128</b>	<b>100.00%</b>			

**USES**

Acquisition	1,199,128	87.90%
Construction Hard Costs	160,000	11.73%
Soft Costs	5,000	0.37%
<b>TOTAL USES</b>	<b>1,364,128</b>	<b>100%</b>

Gap 0

	Budget	Per Unit	Current VHFA Loan 7.25% 600,365	New VHFA Loan 6.75% 758,563	BHA 5,200	TOTAL	
<b>ACQUISITION</b>							
1 Repay VHFA Loan #1 (@ 7.31%)	464,060	17,187		464,060		464,060	0
2 Repay VHFA Loan #2 (@ 8%)	33,520	1,241		33,520		33,520	0
3 Current VHFA Loan (@7.25%)	600,365	22,236	600,365			600,365	0
4 Repay 0% Loan	100,983	3,740		100,983		100,983	0
5 Legal - Title and Recording	200	7			200	200	0
Subtotal - Acquisition	1,199,128	44,412				1,199,128	0
<b>CONSTRUCTION HARD COSTS</b>							
6 Rehabilitation	0	0				0	0
7 New Building(s)		0				0	0
8 Accessory Buildings		0				0	0
9 Sitework		0				0	0
10 Commercial Space Costs (if any)		0				0	0
11 General Requirements		0				0	0
12 Contractor Overhead		0				0	0
13 Contractor Profit		0				0	0
14 Construction Contingency	0	0				0	0
15 Construction Management	0	0				0	0
16 Construction Bond Fee		0				0	0
17 Hazardous Materials Abatement		0				0	0
18 Off-Site Improvements		0				0	0
19 Furnishings, Fixtures, & Equipment		0				0	0
20 Furnace Replacement	160,000	5,926		160,000		160,000	0
Subtotal - Hard Costs	160,000	5,926				160,000	0
<b>SOFT COSTS</b>							
21 Architectural		0				0	0
22 Engineering		0				0	0
23 Legal/Accounting	2,500	93			2,500	2,500	0
24 Relocation		0				0	0
25 Environmental Assessment		0				0	0
26 Energy Assessment		0				0	0
27 Permits/Fees	0	0				0	0
28 Independent Market Study		0				0	0
29 Construction Period Insurance		0				0	0
30 Construction Interest		0				0	0
31 Construction Loan Origination Fee	0	0				0	0
32 Taxes During Construction	0	0				0	0
33 Clerk of the Works		0				0	0
34 Marketing		0				0	0
35 Tax Credit Fees		0				0	0
36 Soft Cost Contingency		0				0	0
37 Permanent Loan Origination Fee		0				0	0
38 Lender's Counsel's Fee	2,500	93			2,500	2,500	0
39 Other ( )		0				0	0
<b>SYNDICATION COSTS</b>							
40 Organizational (Partnership)		0				0	0
41 Bridge Loan Fees and Expenses		0				0	0
42 Syndication Consultant		0				0	0
43 Tax Opinion		0				0	0
<b>DEVELOPER'S FEES</b>							
44 Developer's Fees		0				0	0
45 Other Partnership Fees		0				0	0
46 Consultant Fees		0				0	0
<b>RESERVES</b>							
47 Working Capital	0	0				0	0
48 Rent-up (Deficit Escrow) Reserve		0				0	0
49 Other Operating Reserves		0				0	0
50 Sinking Fund		0				0	0
51 Replacement Reserves	0	0				0	0
Subtotal - Soft Costs	5,000	185				5,000	0
<b>TOTAL DEVELOPMENT COSTS</b>	<b>1,364,128</b>	<b>50,523</b>	<b>600,365</b>	<b>758,563</b>	<b>5,200</b>	<b>1,364,128</b>	<b>0</b>



21-Dec-06 **Lake Champlain Apartments**

Project Based Section 8 Units

	Bedrooms	Number	Average Rent	Utilities	Total Annual Rent
185-11	2	1	854	125	10,248
185-12	1	1	782	98	9,384
185-21	1	1	773	98	9,276
185-22	1	1	776	98	9,312
185-23	2	1	845	125	10,140
185-24	2	1	845	125	10,140
185-25	2	1	858	125	10,296
185-26	1	1	781	98	9,372
185-31	1	1	773	98	9,276
185-32	1	1	780	98	9,360
185-33	2	1	863	125	10,356
185-34	2	1	863	125	10,356
185-35	1	1	782	98	9,384
243-1	2	1	855	125	10,260
243-2	2	1	855	125	10,260
243-3	2	1	861	125	10,332
243-4	2	1	861	125	10,332
243-5	2	1	835	125	10,020
243-6	1	1	773	98	9,276
243-7	1	1	780	98	9,360
243-8	2	1	862	125	10,344
247-1	2	1	861	125	10,332
247-2	2	1	861	125	10,332
247-3	2	1	855	125	10,260
247-4	2	1	855	125	10,260
247-5	3	1	1,013	149	12,156
247-6	3	1	1,013	149	12,156
Totals		27	22,715		272,580

All Units

Grand Totals 27 272,580

2.00% (5,452)

NET RENT 267,128

1,900
475
1,250

TOTAL INCOME 270,753

21-Dec-06 **Lake Champlain Apartments**

	Annual	Monthly	Per Unit Per Month
<b>Administration</b>			
Management Fee	25,365	2,114	78
Supportive Services	0	0	0
Audit/Accounting	2,025	169	6
Legal	1,266	105	4
Compliance Monitoring	0	0	0
Marketing	0	0	0
Other	1,181	98	4
<b>TOTAL ADMINISTRATIVE</b>	<b>29,837</b>	<b>2,486</b>	<b>92</b>
<b>Utilities</b>			
Electricity	3,502	292	11
Fuel	1,772	148	5
Water and Sewer	7,847	654	24
Fire Alarm / Emergency	506	42	2
Other	0	0	0
<b>TOTAL UTILITIES</b>	<b>13,627</b>	<b>1,136</b>	<b>42</b>
<b>Maintenance</b>			
Maintenance / Janitor Payroll	1,215	101	4
Janitor Supplies	0	0	0
Exterminating	844	70	3
Trash Removal	4,809	401	15
Snow Removal	2,109	176	7
Grounds	1,772	148	5
Repairs Material	5,484	457	17
Repairs Contract	10,336	861	32
HVAC Repairs / Maintenance	0	0	0
Elevator Contract / Repairs	0	0	0
Painting and Decorating	6,581	548	20
Other	0	0	0
<b>TOTAL MAINTENANCE</b>	<b>33,151</b>	<b>2,763</b>	<b>102</b>
<b>Real Estate Taxes</b>			
Real Estate Taxes	0	0	0
Property Insurance	5,906	492	18
Replacement Reserves	16,875	1,406	52
Primary Debt Service	3,661	305	11
Secondary Debt Service	4,222		
Other	1	0	0
<b>Total</b>	<b>107,280</b>	<b>8,940</b>	<b>331</b>

21-Dec-06											Lake Champlain Apartments										
		Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021			
Operating Income	Gross Rent		272,580	276,669	280,819	285,031	289,306	293,646	298,051	302,522	308,572	314,743	321,038	327,459	334,008	340,688	347,502	354,452			
	Other Income		3,625	3,661	3,698	3,735	3,772	3,810	3,848	4,233	4,275	4,318	4,361	4,405	4,449	4,493	4,538	4,584			
	Vacancy and other losses		(5,452)	(5,533)	(5,616)	(5,701)	(5,786)	(5,873)	(5,961)	(30,252)	(30,857)	(31,474)	(32,104)	(32,746)	(33,401)	(34,069)	(34,750)	(35,445)			
	Total Operating Income		270,753	274,797	278,900	283,065	287,293	291,583	295,938	276,502	281,990	287,587	293,296	299,118	305,056	311,113	317,290	323,590			
	Operating Expenses																				
Total Expenses (excl. Reserves)		82,520	85,409	88,398	91,492	94,694	98,008	101,439	104,989	108,664	112,467	116,403	120,477	124,694	129,058	133,575	138,251				
Reserves		16,875	17,128	17,385	17,646	17,911	18,179	18,452	18,729	19,010	19,295	19,584	19,878	20,176	20,479	20,786	21,098				
Total Operating Expense		99,395	102,537	105,783	109,138	112,605	116,188	119,891	123,718	127,673	131,762	135,987	140,355	144,870	149,537	154,361	159,348				
Net Operating Income		171,358	172,260	173,117	173,928	174,688	175,396	176,047	152,785	154,317	155,825	157,308	158,763	160,186	161,576	162,929	164,242				
Less Primary Debt Service		52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074	52,074				
Less Secondary Debt Service		60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048	60,048				
Annual Cash Flow		59,236	60,138	60,995	61,806	62,566	63,274	63,925	40,663	42,195	43,704	45,186	46,641	48,064	49,454	50,807	52,120				
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Net Cash		59,236	60,138	60,995	61,806	62,566	63,274	63,925	40,663	42,195	43,704	45,186	46,641	48,064	49,454	50,807	52,120				
DCR		152.83%	153.64%	154.40%	155.12%	155.80%	156.43%	157.01%	136.27%	137.63%	138.98%	140.30%	141.60%	142.87%	144.11%	145.31%	146.49%				
Cumulative Cash Flow	Beginning Balance		0	59,828	122,366	187,028	253,811	322,704	393,698	466,775	517,587	570,977	626,974	685,604	746,890	810,853	877,513	946,886			
	Deposits		59,236	60,138	60,995	61,806	62,566	63,274	63,925	40,663	42,195	43,704	45,186	46,641	48,064	49,454	50,807	52,120			
	Interest		592	2,399	3,667	4,977	6,328	7,720	9,152	10,149	11,196	12,294	13,443	14,645	15,899	17,206	18,566	19,980			
	Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Ending Balance		59,828	122,366	187,028	253,811	322,704	393,698	466,775	517,587	570,977	626,974	685,604	746,890	810,853	877,513	946,886	1,018,987			
Cumulative Replacement Reserves																					
Beginning Balance		11,752	15,713	8,870	15,717	30,997	45,396	62,211	77,970	91,665	88,782	88,157	70,219	58,998	57,965	76,229	57,485				
Deposits		16,875	17,128	17,385	17,646	17,911	18,179	18,452	18,729	19,010	19,295	19,584	19,878	20,176	20,479	20,786	21,098				
Interest		286	328	263	334	489	636	807	967	1,107	1,081	1,077	901	792	784	970	786				
Withdrawals		13,200	24,300	10,800	2,700	4,000	2,000	3,500	6,000	23,000	21,000	38,600	32,000	22,000	3,000	40,500	4,000				
Ending Balance		15,713	8,870	15,717	30,997	45,396	62,211	77,970	91,665	88,782	88,157	70,219	58,998	57,965	76,229	57,485	75,368				

VERMONT HOUSING FINANCE AGENCY

**RESOLUTION RE: PERMANENT FINANCING  
FOR LAKE CHAMPLAIN APARTMENTS, BURLINGTON**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Borrower") involving the permanent financing of three (3) buildings containing a total of twenty-seven (27) units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the application contemplates a new mortgage loan for the refinancing and rehabilitation of the Development with the new mortgage interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Liza Vedder Plantilla dated December 20, 2006, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The acquisition and construction costs to be incurred by the Borrower are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.
5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines.

**Vermont Housing Finance Agency**

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Senior Development Underwriter *CR*

DATE: December 22, 2006

RE: Request for Permanent Financing: Whitney Hill Homestead, Williston

<b>Name:</b>	Whitney Hill Homestead	<b>Location:</b>	Williston
<b>Housing Type:</b>	Senior	<b>Unit Type:</b>	Flats
<b>Unit Count:</b>	44 Units	<b>Unit Sizes:</b>	38 1-BR @ 577 s.f. 6 2-BR @ 731 s.f.
<b>Total Cost:</b>	\$2,088,034	<b>Per S.F. Acquisition &amp; Construction Cost:</b>	\$70
<b>Loan Requested:</b>	\$1,241,000 Permanent	<b>Sponsor:</b>	Cathedral Square Corporation
<b>Other Funding:</b>	VHCB/VHFA Participation Loan (Existing), Williston Elder (existing), Project Reserves		

**Recommendation:** That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

**Project Summary:** Whitney Hill Homestead (WHH), a 44-unit senior housing community in Williston, was developed in 1991 by Housing Vermont, Cathedral Square Corporation (CSC) and a local non-profit organization, Williston Elder Housing. It is now reaching the end of its 15-year tax credit compliance period. WHH was one of the first housing developments in the State to use the tax credit program, and has been mixed-income since the beginning. VHFA currently holds the mortgage on this property, and the loan balloons in February 2007. The owner is interested in transferring the property to CSC (the manager), and CSC would like to refinance the loan with VHFA. The property has been very well managed, has consistently had a very low vacancy rate, and does not need significant work. Because interest rates are lower today than on the current mortgage, the resulting savings in debt service will be used to increase services to residents, and to increase deposits to the replacement reserve. A Capital Needs Assessment has been done, and the assumptions of what the property needs now and over the next five years and those respective costs have been incorporated in the attached spreadsheet. The property will be transferred for an amount equal to the outstanding balance of the debt plus applicable taxes and a disposition fee negotiated with the general partners. In purchasing the development, CSC will continue to serve the current residents with a range of incomes from 30% of area median income to market without increasing rents (beyond what is required for increases in operating costs). Currently 23 residents have tenant-based Section 8 rental assistance.

CSC is requesting a tax-exempt loan from VHFA which could be assumed in the future by a limited partnership. Should this happen, a to-be-formed limited partnership could assume the debt, and syndicate the tax credits (4%) from the tax-exempt financing. A similar financing structure was used in the



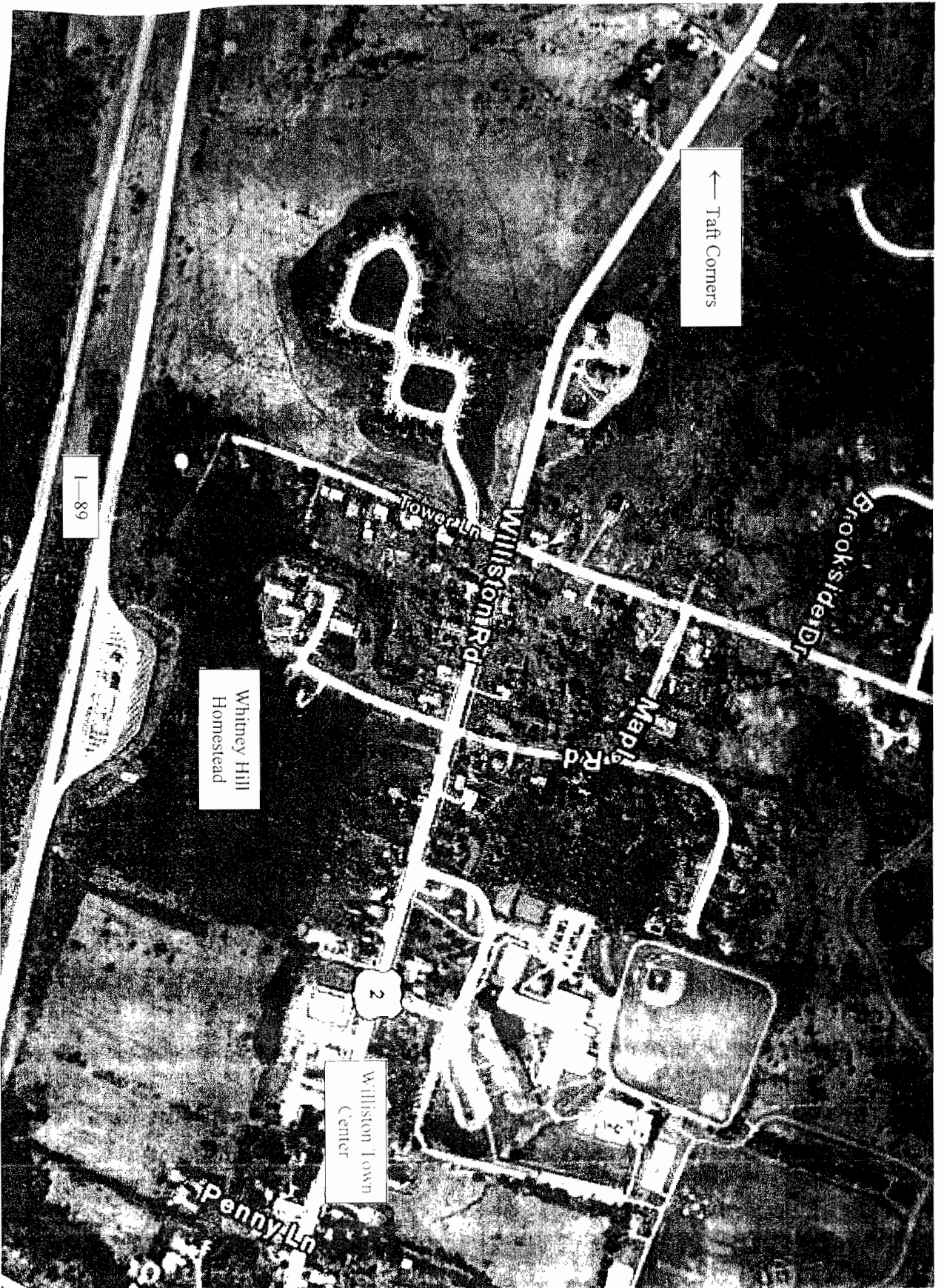
mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364  
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org



refinancing of Heineberg Senior Housing a year ago. One wrinkle is that the stormwater permit for this property has expired. Since it is in an area of Williston that has an impaired waterway, it cannot obtain a stormwater permit easily. CSC is planning to obtain a "Notice of Deferral of Stormwater Discharge Permit" from the Agency of Natural Resources prior to closing. This will make the title marketable and allow the transfer to take place. Once the general permit for the Allen Brook (the impaired waterway) comes out, CSC will need to comply with the permit. CSC's engineer estimates that the general permit could be issued anywhere from six months to six years. In order to mitigate its potential risk, CSC is capitalizing an additional replacement reserve of \$90,000 to deal with this in the future. If less is needed for the stormwater permit, the balance can be used for future capital improvements.

Another similarity to Heineberg is that WHH has a VHCB/VHFA participation loan. CSC is requesting that VHFA approve CSC's assumption of the debt, that the interest accrual change from "compounded quarterly" to "simple interest" (the interest rate is 4%), and that principal and interest be deferred and the term be extended to 30 years (to match the maturity date of the Agency's new first mortgage loan). VHCB has recommended the rate be reduced to 0%.

Staff approves making this loan with two conditions: that CSC obtain (1) the "Notice of Deferral of Stormwater Discharge Permit"; and (2) VHCB consent to the transfer of the VHCB/VHFA participation loan from the current owner to CSC, at the terms described above, both to occur prior to closing.



Whitney Hill Homestead Location Map



21-Dec-06 **Whitney Hill Homestead**

Total Residential Units:	44	Increase in Income from Rental Units:	1.50%
Total Development Cost:	2,088,034	Increase in Income from Other Sources:	1.50%
Total Development Cost per Unit:	47,455	Increase in Income from Commercial:	1.50%
Total Development Cost Per SF:	79.38	Expense increase:	3.00%
		Vacancy Rate:	2.5%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years

**SOURCES**

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,241,000	59.43%	6.30%	30	30
VHCB	672,178	32.19%	4.00%	30	deferred
Williston Elder	113,000	5.41%	0.00%	20	deferred
Reserves	48,856	2.34%	N/A	N/A	
Operating Cash	13,000	0.62%	N/A	N/A	
<b>TOTAL SOURCES</b>	<b>2,088,034</b>	<b>100.00%</b>			

118%

**USES**

Acquisition	1,817,678	87.05%
Construction Hard Costs	29,000	1.39%
Soft Costs	241,356	11.56%
<b>TOTAL USES</b>	<b>2,088,034</b>	<b>100.00%</b>

12/6/06  
6.06% tax-exempt  
6.99% taxable

Gap 0

	Budget	Per Unit	Per s.f.	VHCB Terms: ____	Williston El Terms: ____	VHFA Terms: ____	Reserves	Operating Cash	TOTAL SOURCES
<b>ACQUISITION</b>									
1 Land		0	0.00						0
2 Mortgage Balance - VHFA	1,025,000	23,295	38.97			1,025,000			1,025,000
3 Mortgage Balance - VHCB Deferred	672,178	15,277	25.56	672,178					672,178
4 Mortgage - Williston Elder	113,000	2,568	4.30		113,000				113,000
5 Legal - Title and Recording	7,500	170	0.29			7,500			7,500
Subtotal - Acquisition	1,817,678	41,311	69.11						
<b>CONSTRUCTION HARD COSTS</b>									
6 Rehabilitation	29,000	659	1.10			29,000			29,000
7 New Building(s)		0	0.00						0
8 Accessory Buildings		0	0.00						0
9 Sitework		0	0.00						0
10 Commercial Space Costs (if any)		0	0.00						0
11 General Requirements		0	0.00						0
12 Contractor Overhead		0	0.00						0
13 Contractor Profit		0	0.00						0
14 Construction Contingency		0	0.00						0
15 Construction Management		0	0.00						0
16 Construction Bond Fee		0	0.00						0
17 Hazardous Materials Abatement		0	0.00						0
18 Off-Site Improvements		0	0.00						0
19 Furnishings, Fixtures, & Equipment		0	0.00						0
20 Other ( )		0	0.00						0
Subtotal - Hard Costs	29,000	659	1.10						
<b>SOFT COSTS</b>									
21 Architectural		0	0.00						0
22 Engineering		0	0.00						0
23 Legal/Accounting	6,000	136	0.23			6,000			6,000
24 Relocation		0	0.00						0
25 Environmental Assessment		0	0.00						0
26 Energy Assessment		0	0.00						0
27 Permits/Fees		0	0.00						0
28 Independent Market Study		0	0.00						0
29 Construction Period Insurance		0	0.00						0
30 Construction Interest		0	0.00						0
31 Construction Loan Origination Fee		0	0.00						0
32 Taxes During Construction		0	0.00						0
33 Clerk of the Works	6,000	136	0.23			6,000			6,000
34 Marketing		0	0.00						0
35 Tax Credit Fees		0	0.00						0
36 Soft Cost Contingency		0	0.00						0
37 Permanent Loan Origination Fee		0	0.00						0
38 Lender's Counsel's Fee	5,000	114	0.19			5,000			5,000
39 Other (HVT Fee)	7,000	159	0.27			7,000			7,000
<b>SYNDICATION COSTS</b>									
40 Organizational (Partnership)		0	0.00						0
41 Bridge Loan Fees and Expenses		0	0.00						0
42 Syndication Consultant		0	0.00						0
43 Tax Opinion		0	0.00						0
<b>DEVELOPER'S FEES</b>									
44 Developer's Fees	44,000	1,000	1.67			44,000			44,000
45 Other Partnership Fees	500	11	0.02			500			500
46 Consultant Fees		0	0.00						0
<b>RESERVES</b>									
47 Working Capital		0	0.00						0
48 Rent-up (Deficit Escrow) Reserve		0	0.00						0
49 Other Operating Reserves	13,000	295	0.49					13,000	13,000
50 Reserve for Stormwater	90,000	2,045	3.42			60,000	30,000		90,000
51 Replacement Reserves	69,856	1,588	2.66			51,000	18,856		69,856
Subtotal - Soft Costs	241,356	5,485	9.18						
<b>TOTAL DEVELOPMENT COSTS</b>	<b>2,088,034</b>	<b>47,455</b>	<b>79.38</b>	<b>672,178</b>	<b>113,000</b>	<b>1,241,000</b>	<b>48,856</b>	<b>13,000</b>	<b>2,088,034</b>
				1,241,000					
				62,050	5%				

21-Dec-06 **Whitney Hill Homestead**

HC Restricted Units  
Bedrooms

Type                      Average  
                                 Square Feet      Number      Average  
                                                      Rent                      Utilities      Total  
                                                                                                Annual Rent

1 Br		577	23	740	0	204,240
2 Br		731	15	631	0	113,580
2 Br		731	6	859	0	61,848
Totals		28,622	44			379,668

Grand Totals                      28,622                      44                      379,668

Less Vacancy                      2.50%                      (9,492)

NET RENT                      370,176

OTHER INCOME

Laundry	4,500
Interest	200
Other -cable & A/C installation	13,256

TOTAL INCOME                      388,132

HC 60% rents	
0 br	741
1 br	793
2 br	952

These 23 units currently have residents with Section 8.

21-Dec-06 **Whitney Hill Homestead**

	Annual	Monthly	Per Unit Per Month
<b>Administration</b>			
Management Fee	26,400	2,200	50
Supportive Services	23,340	1,945	44
Audit/Accounting	3,500	292	7
Legal	100	8	0
Training	700	58	1
Office Expense	1,850	154	4
Phone	2,100	175	4
Advertising	700	58	1
Salaries	17,160	1,430	33
Other	250	21	0
<b>TOTAL ADMINISTRATIVE</b>	<b>76,100</b>	<b>6,342</b>	<b>144</b>
<b>Utilities</b>			
Electricity	26,028	2,169	49
Fuel	24,500	2,042	46
Water and Sewer	5,700	475	11
Fire Alarm / Emergency	3,800	317	7
Other - cable	4,800	400	9
<b>TOTAL UTILITIES</b>	<b>64,828</b>	<b>5,402</b>	<b>123</b>
<b>Maintenance</b>			
Maintenance / Janitor Payroll	37,176	3,098	70
Janitor Supplies	600	50	1
Exterminating	400	33	1
Trash Removal	2,600	217	5
Snow Removal	6,000	500	11
Grounds	2,800	233	5
Repairs Material	8,000	667	15
Repairs Contract	7,000	583	13
HVAC Repairs / Maintenance	2,000	167	4
Elevator Contract / Repairs	5,500	458	10
Painting and Decorating	1,000	83	2
Other	1,600	133	3
<b>TOTAL MAINTENANCE</b>	<b>74,676</b>	<b>6,223</b>	<b>141</b>
<b>Real Estate Taxes</b>			
Real Estate Taxes	29,534	2,461	56
Property Insurance	13,261	1,105	25
Replacement Reserves	21,120	1,760	40
Primary Debt Service	92,177	7,681	175
Other "must pay" debt service		0	0
Other		0	0
<b>Total</b>	<b>371,696</b>	<b>30,975</b>	<b>704</b>

489 pum

21-Dec-06 Whitney Hill Homestead

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income															
Gross Rent	379,668	385,363	391,143	397,011	402,966	409,010	415,145	421,373	427,693	434,109	440,620	447,230	453,938	460,747	467,658
Other Income	17,956	18,225	18,499	18,776	19,058	19,344	19,634	19,928	20,227	20,531	20,839	21,151	21,469	21,791	22,117
Vacancy and other losses	(9,492)	(9,634)	(9,779)	(9,925)	(10,074)	(10,225)	(10,379)	(10,534)	(10,692)	(10,853)	(11,016)	(11,181)	(11,348)	(11,519)	(11,691)
Total Operating Income	388,132	393,954	399,864	405,862	411,949	418,129	424,401	430,767	437,228	443,787	450,443	457,200	464,058	471,019	478,084
Operating Expenses															
Total Expenses (excl. Reserves)	258,399	266,151	274,135	282,360	290,830	299,555	308,542	317,798	327,332	337,152	347,267	357,685	368,415	379,468	390,852
Reserves	21,120	21,437	21,758	22,085	22,416	22,752	23,094	23,440	23,792	24,148	24,511	24,878	25,251	25,630	26,015
Total Operating Expense	279,519	287,588	295,894	304,444	313,246	322,307	331,635	341,238	351,124	361,300	371,777	382,563	393,667	405,098	416,866
Net Operating Income	108,613	106,367	103,970	101,417	98,703	95,821	92,765	89,529	86,105	82,486	78,666	74,637	70,391	65,921	61,218
Less Primary Debt Service	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177	92,177
Less Secondary Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow	16,436	14,189	11,792	9,240	6,526	3,644	588	(2,649)	(6,073)	(9,691)	(13,511)	(17,540)	(21,786)	(26,256)	(30,960)
Operating Subsidies / Sinking Fund	0	0	0	0	0	0	0	2,649	6,073	9,691	13,511	17,540	21,786	26,256	30,960
Net Cash	16,436	14,189	11,792	9,240	6,526	3,644	588	0	0	0	0	0	0	0	0
DCR	117.83%	115.39%	112.79%	110.02%	107.08%	103.95%	100.64%	97.13%	93.41%	89.49%	85.34%	80.97%	76.37%	71.52%	66.41%
Cumulative Cash Flow															
Beginning Balance	103,000	121,660	138,424	153,103	165,497	175,398	182,587	186,832	187,920	185,605	179,626	169,707	155,561	136,886	113,367
Deposits	16,436	14,189	11,792	9,240	6,526	3,644	588	0	0	0	0	0	0	0	0
Interest	2,224	2,575	2,886	3,154	3,375	3,544	3,658	3,737	3,758	3,712	3,593	3,394	3,111	2,738	(30,960)
Withdrawals	0	0	0	0	0	0	0	(2,649)	(6,073)	(9,691)	(13,511)	(17,540)	(21,786)	(26,256)	(30,960)
Ending Balance	121,660	138,424	153,103	165,497	175,398	182,587	186,832	187,920	185,605	179,626	169,707	155,561	136,886	113,367	82,408
Cumulative Replacement Reserves															
Beginning Balance	69,856	63,134	69,498	75,064	85,071	85,113	109,795	135,315	161,695	188,959	107,128	134,026	161,834	190,574	220,272
Deposits	21,120	21,437	21,758	22,085	22,416	22,752	23,094	23,440	23,792	24,148	24,511	24,878	25,251	25,630	26,015
Interest	1,608	1,477	1,608	1,722	1,926	1,930	2,427	2,941	3,472	4,021	2,388	2,929	3,489	4,068	4,666
Withdrawals	(29,450)	(16,550)	(17,800)	(13,800)	(24,300)	0	0	0	0	(110,000)	0	0	0	0	(110,000)
Ending Balance	63,134	69,498	75,064	85,071	85,113	109,795	135,315	161,695	188,959	107,128	134,026	161,834	190,574	220,272	140,953

VERMONT HOUSING FINANCE AGENCY

**RESOLUTION RE: PERMANENT FINANCING  
FOR WHITNEY HILL HOMESTEAD, WILLISTON**

WHEREAS, the Vermont Housing Finance Agency (the "Agency") is authorized by the Vermont Housing Finance Agency Act to issue bonds and borrow monies and to make loans to finance projects for persons and families of low and moderate income; and

WHEREAS, an application has been submitted to the Agency by Cathedral Square Corporation (the "Borrower") involving the financing of forty-four (44) units of senior rental housing referred to as Whitney Hill Homestead in the Town of Williston (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower; and

WHEREAS, the application contemplates a mortgage loan for permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

WHEREAS, the Borrower qualifies as a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

WHEREAS, the Agency has determined that the Development will assist in fulfilling the purposes of the Act and is financially feasible; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 22, 2006, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

1. The Development is primarily for persons and families of low and moderate income.
2. The construction costs to be incurred by the Borrower are for housing development costs within the meaning of the Act.
3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of the residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families.
4. The Borrower undertaking the Development will maintain the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

5. The security value of the Development will equal at least the amount of the Agency's loan.

6. The Borrower is financially responsible and qualifies as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.
3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.
5. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines, and the conditions described in the Memorandum.



**Vermont Housing Finance Agency**

**MEMORANDUM**

**TO:** VHFA Board of Commissioners

**FROM:** Tom Connors, Chief Financial Officer

**RE:** Thirty-First Supplemental Resolution for Series 27 Bonds and Notes

**DATE:** December 22, 2006

---

**Board Action Requested:** Adoption of the attached<sup>1</sup> resolution.

The attached resolution authorizes the current structure options for the Series 27 Single Family Housing Bonds and Notes. The structure for Series 27 will be similar to resolutions previously approved by the Board. As in previous bond issues, we anticipate Series 27 may include a Swap facility that will not exceed 25%.

Please feel free to call me at (802) 652-3436 if you have any questions regarding this request.

<sup>1</sup> To support paper reduction, resolution distributed to Board Members and Executive Management only.





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**VERMONT HOUSING FINANCE AGENCY**

**THIRTY-FIRST SUPPLEMENTAL SINGLE FAMILY HOUSING  
BOND RESOLUTION**

Adopted January 3, 2007

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EXHIBIT A      DIRECTION TO TENDER

# **THIRTY-FIRST SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION**

BE IT RESOLVED by the Vermont Housing Finance Agency, and the Commissioners thereof, as follows:

## **ARTICLE I**

### **DEFINITIONS AND AUTHORITY**

**Section 1.01. Short Title.** This resolution is hereinafter sometimes referred to as the “Thirty-First Supplemental Resolution.”

**Section 1.02. Definitions and Interpretation.**

(a) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution.

(b) In this Thirty-First Supplemental Resolution unless a different meaning clearly appears from the context:

“*Adjusted Interest Rate*” means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 2.03(a)(iv) hereof.

“*Adjusted Rate Bonds*” means all Series 27 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 27 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

“*Adjustment Date*” means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 27 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

“*Adjustment Option Period*” means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 27 Bonds in accordance with Section 2.03 hereof.

“*Adjustment Rating Certificate*” means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 27 Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or

other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 27 Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

*“Arbitrage Projection Certificate”* means a certificate of an Authorized Officer setting forth the Agency’s reasonable expectations that adjustment of the interest rate on the Series 27 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 27 Bonds to be “arbitrage bonds” within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 27 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 27 Bonds from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

*“Authenticating Agent”* with respect to all Series 27 Bonds, means the Trustee.

*“Beneficial Owner”* means the person or entity that is considered to be the beneficial owner of any Series 27 Bond pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

*“Bond Counsel”* means Kutak Rock LLP, or any successor firm of attorneys or such other firm of nationally recognized bond attorneys designated by the Agency.

*“Bond Depository”* means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 2.02 hereof.

*“Bond Insurer”* means the provider of municipal bond insurance with respect to the Series 27 Bonds, if any, as shall be set forth in the Series Certificate.

*“Bond Year”* means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 27 Bonds and end on March 31, 2007.

*“Business Day”* means any calendar day other than a Saturday, a Sunday or a day on which banks in Burlington, Vermont or New York, New York, are authorized or required to be closed.

*“Calculation Date”* means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the Tender

Bond Remarketing Agent with the approval of the Agency not earlier than 15 days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 27 Bonds.

“*Hedge Agreement*” shall mean a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Agency authorized by the Agency’s then current Swap Management Plan and a Qualified Institution providing for payments between the parties based on levels of, or changes in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors, or caps, options, puts or calls, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to all or a portion of the Series 27 Bonds or any assets pledged under the Resolution.

“*Liquidity Facility*” means, if applicable, the facility pursuant to which any Variable Rate Bonds are purchased if such Variable Rate Bonds are tendered for purchase and are not remarketed by the Remarketing Agent, all as shall be set forth in the Series Certificate.

“*Loan Loss*” means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 27 Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 27 Loan Loss Claim Fund.

“*Loan Loss Claim Fund Withdrawals*” means amounts withdrawn from the Series 27 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

*“Municipal Bond Insurance Policy”* means, to the extent required by the Series Certificate, the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on all or a portion of the Series 27 Bonds as provided therein.

*“Municipal Bond Insurance Policy Premium”* means the premium payable to the Bond Insurer with respect to the Municipal Bond Insurance Policy, if any, required by the Series Certificate, payable at the times and in the amount set forth in the Series Certificate. Such Municipal Bond Insurance Policy Premium shall be deemed a Program Expense for all purposes under the Resolution.

*“Notice Date”* means the Business Day which is 30 days prior to the Adjustment Date.

*“Official Statement”* or *“Official Statements”* means any Official Statement of the Agency describing the Series 27 Bonds, dated the date of execution of the related Purchase Contract.

*“Participant”* means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

*“Principal Amount”* for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 27 Bond, the stated principal amount thereof.

*“Pro-Forma Adjusted Interest Rate”* shall have the meaning given such term in Section 2.03(a)(i) hereof.

*“Pro-Forma Tender Bonds”* shall have the meaning given such term in Section 2.03(a)(i) hereof.

*“Purchase Contract”* means the Series 27 Bond Purchase Contract.

*“Qualified Institution”* shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Hedge Agreement is entered into by the Agency are either (a) rated at least as high as the Series 27 Bonds (without giving effect to the

existence of a municipal bond insurance policy or other credit enhancement thereon) by each Nationally Recognized Credit Rating Agency which rates such obligations or (b) such that entering into a Hedge Agreement with such entity will not adversely effect the then current ratings, if any, assigned to the Series 27 Bonds by each Nationally Recognized Credit Rating Agency or (ii) the Government National Mortgage Association or any successor thereto, Fannie Mae or any successor thereto, or any other federal agency or instrumentality, the obligations of which are backed by the full faith and credit of the United States of America.

*“Record Date”* with respect to the payment of interest on a Series 27 Bond, means, except as may otherwise be provided in the Series Certificate, the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 27 Bond or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 27 Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 27 Bonds Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

*“Remarketing Agent”* means the investment banking firm or firms selected by the Agency to remarket any of the Series 27 Bonds that are issued as Variable Rate Bonds, as shall be set forth in the Series Certificate.

*“Remarketing Agreement”* means the Remarketing Agreement, if any, executed in connection with the issuance of any Series 27 Bonds as Variable Rate Bonds.

*“Remarketing Projection of Revenues”* means a Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted Interest Rate and will mature on the dates determined in accordance with Section 2.03(a)(v) hereof.

*“Representation Letter”* means, with respect to the Series 27 Bonds held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

*“Resolution”* means the resolution of the Agency adopted September 20, 1990, entitled “Single Family Housing Bond Resolution.”

*“Series Certificate”* means the Series Certificate of the Chair or Vice Chairman and Executive Director and Secretary of the Agency dated on or before



the date of issuance of the Series 27 Bonds which Series Certificate shall establish certain terms of the Series 27 Bonds as provided herein.

*“Series 26 Bonds”* means the \$53,830,000 aggregate principal amount of the Agency’s Single Family Housing Bonds, Series 26 issued on October 26, 2006.

*“Series 27 Bond Purchase Contract”* means the Purchase Contract, or Contracts, by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 27 Bonds, if any, providing for the terms and conditions of the sale of the Series 27 Bonds in substantially the form of the Bond Purchase Contract executed in connection with the Agency’s Series 26 Bonds; provided, however, that if the Series Certificate provides for the issuance of Variable Rate Bonds, the Agency may execute additional Purchase Contracts as provided in Section 5.07 hereof.

*“Series 27 Bond Reserve Requirement”* means an amount with respect to the Series 27 Bonds at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 27 Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 27 Bonds.

*“Series 27 Bonds”* means the Series 27 Bonds of the Agency authorized to be issued in one or more Series by this Thirty-First Supplemental Resolution; provided, however, that as provided in Section 2.01 hereof and as may be provided in the Series Certificate, a portion of the Series 27 Bonds may be issued as a separate issue for federal tax purposes and shall be designated as Series 28 Bonds. References herein to the Series 27 Bonds shall be deemed to include the Series 28 Bonds, if any.

*“Series 27 Contingency Account”* means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

*“Series 27 Contingency Account Deposits”* means the Series 27 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 27 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 27 Contingency Account.

*“Series 27 Contingency Account Surety Bond”* means the irrevocable surety bond issued by the Series 27 Contingency Account Deposit Provider to be

held for the credit of the Series 27 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

*“Series 27 Contingency Account Deposit Provider”* means the provider of any other Series 27 Contingency Account Deposit as shall be provided in the Series Certificate

*“Series 27 Cost of Issuance Account”* means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

*“Series 27 Funded Loan Loss Claim Fund Requirement”* means, at any date of computation, an amount equal to the Series 27 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 27 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 27 Loan Loss Claim Fund.

*“Series 27 Loan Loss Claim Fund”* means the fund so designated and created pursuant to Section 3.01(a) hereof.

*“Series 27 Loan Loss Claim Fund Deposit Provider”* means the provider of any other Series 27 Loan Loss Claim Fund Deposit as shall be provided in the Series Certificate.

*“Series 27 Loan Loss Claim Fund Deposits”* means cash or any one or more of the following to the extent its deposit in the Series 27 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 27 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

*“Series 27 Loan Loss Claim Fund Requirement”* means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 27 Program Account plus (2) the aggregate amount, if any, then held in the Series 27 Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 27 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

*“Series 27 Loan Loss Claim Fund Surety Bond”* means, if so provided in the Series Certificate, the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 27 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

*“Series 27 Program Account”* means the one or more Series 27 Program Accounts authorized to be established in the Series Certificate.

*“Series 27 Rebate Account”* means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

*“Series 27 Rebate Requirement”* with respect to the Series 27 Bonds, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

*“Series 27 Reimbursement Agreements”* means, as applicable, (i) the agreement by and between the Agency and the Series 27 Loan Loss Claim Fund Deposit Provider in connection with the Series 27 Loan Loss Claim Fund Deposit, (ii) the agreement by and between the Agency and the Series 27 Contingency Account Deposit Provider in connection with the Series 27 Contingency Account Deposit and, (iii) the agreement by and between the Agency and the provider of a Liquidity Facility in connection with the issuance of any Variable Rate Bonds and, in each case, as such agreement or agreements may be amended from time to time in accordance therewith.

*“Series 27 Tender Bonds”* means the Series 27 Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

*“Series 27 Tender Bonds Proceeds Subaccount”* means the Series 27 Program Account Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

*“Tender Bond Remarketing Agent”* means, collectively, UBS Securities LLC, Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc. or any other investment banking firm, financial institution or other entity at the time acting in the capacity of Tender Bond Remarketing Agent under the Tender Bond Remarketing Agreement.

*“Tender Bond Remarketing Agreement”* means the Remarketing Agreement executed in connection with the remarketing of Series 27 Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

*“Trustee”* means TD Banknorth, N.A., Burlington, Vermont, or its successor in trust under the Resolution.

“*Underwriters*” means, collectively, UBS Securities LLC, Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc., as underwriters of the Series 27 Bonds; provided, however, that if the Series Certificate provides for the issuance of Variable Rate Bonds, such Variable Rate Bonds initially may be sold to one or more of the Underwriters.

“*Yield*” means the yield on the Series 27 Bonds or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 27 Bonds calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Thirty-First Supplemental Resolution, the term “Interest Payment Date” shall mean (i) with respect to the Series 27 Bonds issued as Fixed Rate Bonds, May 1 and November 1 of each year commencing on May 1, 2007, (ii) with respect to any Series 27 Bonds issued as Variable Rate Bonds, such dates as shall be set forth in the Series Certificate and (iii) with respect to all Series 27 Bonds, any redemption date of any Series 27 Bonds and any other date on which interest on the Series 27 Bonds is required or permitted by the Resolution to be paid.

**Section 1.03. Authority.** This Thirty-First Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

## ARTICLE II

### AUTHORIZATION OF SERIES 27 BONDS

#### **Section 2.01. Series 27 Bonds; Authorization; Purpose; Findings.**

(a) The Agency hereby authorizes the issuance of one or more Series of Bonds to be designated “Single Family Housing Bonds, Series 27” for the purpose of funding mortgage loans, costs of issuance, reserve funds and the refunding of certain obligations of the Agency. Each separate Series of Bonds shall have its own letter designation (i.e. Series 27A, Series 27B, Series 27C, etc.) as shall be set forth in the Series Certificate. In addition, in order to distinguish between Bonds of different tax plans for federal tax purposes, the Bonds of such Series may be designated (as herein provided and as may be provided in the Series Certificate or Certificates delivered in connection with such Bonds) as Series 28 Bonds and, within such designation(s), may be further designated as Series 28A, Series 28B, and so forth. References herein to the Series 27 Bonds shall be deemed to include the Series 28 Bonds, if any.

Collectively, the aggregate Principal Amount of the Series 27 Bonds shall not to exceed \$50,000,000. The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 27 Bonds is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 27 Bonds can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of

Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 27 Bonds as provided herein, sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 27 Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 27 Bonds are being issued. For purposes of Section 204(B) of the Resolution, the Series 27 Bonds may be issued as "Fixed Rate Bonds" as described in Section 203(B) of the Resolution or as "Variable-Rate Bonds" as described in Section 203(C) of the Resolution (or any combination of Fixed-Rate Bonds and Variable-Rate Bonds) and all or a portion of the Series 27 Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

If the Series Certificate provides for the issuance of Variable-Rate Bonds, the Series Certificate shall establish the requirements with respect to such Variable-Rate Bonds as provided in Section 203(C) of the Resolution.

(b) The Series 27 Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 27 Program Accounts, the Series 27 Cost of Issuance Account, the Series 27 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Except as may otherwise be provided in the Series Certificate with respect to the issuance of Variable-Rate Bonds and subject to Section 2.02 hereof, all Series 27 Bonds shall be issued only in the form of fully registered bonds each in the denomination of \$5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA," "RB" or "RC," etc., as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 27 Bonds shall be dated as shall be set forth in the Series Certificate. Subject to Section 2.03 hereof, the Series 27 Bonds shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall the Yield on the Series 27 Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 27 Bonds in excess of 7.50% per annum nor may the final maturity date of the Series 27 Bonds be later than October 1, 2042.

(e) The Principal Amount and Redemption Price of the Series 27 Bonds shall be payable at the Principal Office of the Trustee. Interest on the Series 27 Bonds shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 27 Bond on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 27 Bonds shall also be payable at any other place which may be provided for such payment

by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (e) to the contrary, if at any time the Series 27 Bonds are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 27 Bonds of any registered owner of Series 27 Bonds of \$1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 27 Bonds on account of which such payment is made.

(f) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 27 Bond a fee sufficient to reimburse the Agency for the cost of preparing each new Series 27 Bond delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

**Section 2.02. Book Entry System.** Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 27 Bonds shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 27 Bonds in the amount of such maturity. Upon initial issuance, the ownership of the Series 27 Bonds shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 27 Bonds registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 27 Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 27 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 27 Bonds, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 27 Bonds. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 27 Bonds only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 27 Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 27 Bond evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and

interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Thirty-First Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 27 Bonds shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 27 Bonds shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 27 Bonds, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 27 Bonds) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 27 Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 27 Bonds.

(d) Notwithstanding any other provision of this Thirty-First Supplemental Resolution to the contrary, so long as any Series 27 Bond is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

### **Section 2.03. Adjusted Rate Bonds.**

(a) The Series 27 Bonds are issued subject to the provision that all or part of such Series 27 Bonds issued as Fixed-Rate Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 27 Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 27 Bonds remains on deposit in the Series 27 Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 27 Bonds bearing interest at the

rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 27 Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to the Tender Bond Remarketing Agent a certificate of an Authorized Officer directing the Tender Bond Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds (not in excess of the amount then on deposit in the Series 27 Program Account and in a multiple of \$5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Tender Bond Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Tender Bond Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Bonds bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 27 Bonds (calculated as of the original date of authentication and delivery of the Series 27 Bonds) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 27 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 27 Bonds to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 27 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted



Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Tender Bond Remarketing Agent to call a Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after which the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 27 Bonds which are Fixed-Rate Bonds (hereinafter referred to as "Series 27 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 27 Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 27 Bonds which are Fixed-Rate Bonds are to be tendered, Series 27 Bonds which are Fixed-Rate Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 27 Bonds which are Fixed-Rate Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 27 Bonds which are Fixed-Rate Bonds of all maturities Outstanding. If less than all Series 27 Bonds which are Fixed-Rate Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 27 Bonds which are Fixed-Rate Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 27 Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 27 Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 27 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or

Paragraph (vii) of this Section 2.03(a) shall occur, Series 27 Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 27 Tender Bonds for which they were exchanged;

(C) that the Holders of Series 27 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 27 Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 27 Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 27 Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

(E) the date by which a Holder making the election described in Section 2.03(b)(iii) hereof must notify the Trustee of such election and the address and facsimile number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 27 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 27 Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 27 Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Tender Bond Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such

Bondholder's Series 27 Tender Bonds, all of such Series 27 Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Tender Bond Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Tender Bond Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Tender Bond Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 27 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Tender Bond Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 27 Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 27 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 27 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Tender Bond Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 27 Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Tender Bond Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 27 Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 27 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 27 Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 27 Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 27 Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 27 Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 27 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 27 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 27 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 27 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 27 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 27 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 27 Bond Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible

Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 27 Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 27 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 27 Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the related maturity of the Series 27 Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 27 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 27 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 27 Tender Bonds issued in exchange for or upon the transfer of Series 27 Tender Bonds referred to in the preceding sub clauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 27 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Tender Bond Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Tender Bond Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Tender Bond Remarketing Agent, acting pursuant to the Tender Bond Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the

purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 27 Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 27 Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 27 Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 27 Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 27 Tender Bonds who has received notice that such Holder's Series 27 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 27 Tender Bonds (which portion shall not be less than \$5,000 and shall be in whole multiples of \$5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 27 Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 27 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 27 Tender Bonds tendered for exchange and of the same maturity as the Series 27 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 27 Tender Bonds for Adjusted Rate Bonds in the case of Series 27 Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding

Business Day) of the aggregate amount of Series 27 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 27 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 27 Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 27 Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 27 Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 27 Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 27 Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 27 Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 27 Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 27 Bond.

#### **Section 2.04. Redemption Provisions.**

(a) The Series 27 Bonds shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 27 Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 27 Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 27 Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 27 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 27 Bonds, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 27 Bond or portion thereof to be redeemed, the date and interest rate of such Bond or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 27 Bonds or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 27 Bonds or portions thereof given to the registered owner of \$1,000,000 or more Principal Amount of Series 27 Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 27 Bond or any defect therein shall not affect the redemption of any other Series 27 Bonds for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 27 Bonds to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 27 Bonds on the redemption date therefor). If any Series 27 Bonds called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 27 Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 27 Bonds on the redemption date therefor.

#### **Section 2.05. Sale of Series 27 Bonds.**

(a) The Series 27 Bonds shall be sold to the Underwriters and any other direct purchasers of the Series 27 Bonds on the terms and conditions, and upon the representations set forth in the related Purchase Contract, which Purchase Contract (or Purchase Contracts) may be executed and delivered on behalf of the Agency by the Chair, the Executive Director and Secretary, or any other Authorized Officer in such form as shall be approved by Counsel to the Agency; provided, however, that in no event shall the Yield on the Series 27 Bonds exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 27 Bonds in excess of 7.50% per annum nor may any Series 27 Bond mature later than October 1, 2042.



(b) The distribution of the preliminary Official Statements in a form comparable to the forms previously used by the Agency and acceptable to Counsel to the Agency is hereby authorized in all respects. The final Official Statements in substantially the form of the related preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 27 Bonds, is hereby approved and the execution and delivery thereof to the Underwriters and any other direct purchasers is hereby authorized in all respects.

(c) The Series 27 Bonds shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under any Purchase Contract shall be deposited with the Trustee in a special account established by the Agency and invested in Investment Obligations, subject to the terms of the related Purchase Contract.

### **ARTICLE III**

#### **ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 27 BONDS**

##### **Section 3.01. Establishment of Funds and Accounts.**

(a) In accordance with Section 502 of the Resolution, the Series 27 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 27 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 27 Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 27 Loan Loss Claim Fund Surety Bond, Investment Obligations and Series 27 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Thirty-First Supplemental Resolution.

(b) There are hereby ordered to be established in the Program Fund one or more separate accounts to be designated as "Program Accounts" and "Premium Accounts" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Thirty-First Supplemental Resolution. The actual number of such Program Accounts and Premium Accounts shall be set forth in the Series Certificate. There shall also be established within any Program Account relating to the Series 27 Bonds a separate subaccount designated the "Series 27 Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 27 Tender Bonds Proceeds Subaccount shall be considered for all purposes of the Resolution as on deposit in the related Program Account for such Series 27 Bonds.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 27 Cost of Issuance

Account,” moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the “Series 27 Capitalized Interest Account,” moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the “Series 27 Contingency Account,” the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Thirty-First Supplemental Resolution. The Series 27 Contingency Account shall be deemed to be Additional Security for the Series 27 Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the “Series 27 Rebate Account,” moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Thirty-First Supplemental Resolution.

(g) The Series Certificate may establish such additional funds or accounts as may be required upon the issuance of any Variable-Rate Bonds or upon the execution of any Hedge Agreement.

### **Section 3.02. Application of Proceeds and Other Moneys.**

(a) Upon the authentication and delivery of the Series 27 Bonds, the proceeds of sale of the Series 27 Bonds shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 27 Bonds, the Agency shall deliver to the Trustee cash, the Series 27 Loan Loss Claim Fund Surety Bond or Series 27 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 27 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 27 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 27 Bonds, the Agency shall deliver cash, the Series 27 Contingency Account Surety Bond or Series 27 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 27 Contingency Account Deposit is other than cash, the Series 27 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 27 Contingency Account.

### **Section 3.03. Application of Certain Amounts in Series 27 Program Accounts.**

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided or as otherwise provided in the Series Certificate, amounts deposited in any Program Account created with respect to the Series 27 Bonds in accordance with

the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein, in the Series Certificate and in Section 504 of the Resolution. Amounts deposited in any Program Account created with respect to the Series 27 Bonds as provided herein, in the Series Certificate or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 27 Bonds in accordance with Section 207 of the Resolution.

(b) Amounts on deposit in any Program Account allocable to the Series 27 Bonds shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 27 Bonds.

(c) Amounts, if any, of deposit in any Premium Account allocable to the Series 27 Bonds of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in any Premium Account allocable to the Series 27 Bonds to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

Upon the mandatory tender of Series 27 Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 27 Tender Bonds pursuant to Section 2.04(b) hereof or the

redemption of Series 27 Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 27 Premium Account allocable to the initial issue premium, if any, paid with respect to the Series 27 Bonds, shall be transferred to the Series 27 Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 27 Bonds.

**Section 3.04. Application of Series 27 Tender Bond Proceeds Subaccount.**

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 27 Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Program Accounts allocable to the Series 27 Bonds and deposit in the Series 27 Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 27 Bonds so certified and (ii) from any Premium Account allocable to the Series 27 Bonds and deposit in the Series 27 Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 27 Tender Bonds. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 27 Tender Bonds Proceeds Subaccount to the Series 27 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 27 Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 27 Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 27 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 27 Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 27 Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 27 Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 27 Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 27 Tender Bonds Proceeds Subaccount to the related Program Account allocable to the Series 27 Bonds and any Premium Account allocable to the Series 27 Bonds, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

### **Section 3.05. Application of Series 27 Contingency Account.**

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 509(C) of the Resolution, the Agency may pay to the Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 509(G) of the Resolution shows that the balance to be on deposit and available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 27 Contingency Account Surety Bond or the Series 27 Contingency Account Deposit, as applicable, for the credit of the Series 27 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of Series 27 Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 27 Contingency Account Deposit, with the prior approval of the Series 27 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 27 Contingency Account or to give notice to the Series 27 Contingency Account Deposit Provider and to draw upon the Series 27 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 27 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 27 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 27 Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 27 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 27 Contingency Account Deposit is held under the Resolution for the account of the Series 27 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 27 Contingency Account Deposit and return it to the Series 27 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or

cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 27 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 27 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 27 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 27 Contingency Account Deposit Provider pursuant to the Series 27 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 27 Reimbursement Agreement and the Series 27 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 27 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 27 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 27 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 27 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 27 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 27 Contingency Account Deposit the Trustee shall draw upon the Series 27 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 27 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 27 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 27 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 27 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 27 Contingency Account and *second*, from amounts drawn on any Series 27 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 27 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 27 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 27 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 27 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 27 Contingency Account shall be transferred by the Trustee to the Agency.

### **Section 3.06. Application of Series 27 Loan Loss Claim Fund.**

(a) The Trustee shall deposit in the Series 27 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 27 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Thirty-First Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 27 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 27 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 27 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 27 Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 27 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 27 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 27 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 27 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 27 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 27 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 27 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 27 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 27 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 27 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 27 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay



to the Trustee for deposit in the Series 27 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 27 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 27 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Thirty-First Supplemental Resolution shall obligate the Agency to deposit in the Series 27 Loan Loss Claim Fund an amount which would cause the balance in the Series 27 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 27 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in any Program Account allocable to the Series 27 Bonds plus (B) the aggregate amount, if any, then held in any Program Account allocable to the Series 27 Bonds which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 27 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 27 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 27 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 27 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 27 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 27 Loan Loss Claim Fund exceeds the Series 27 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.



(h) If at any time (i) the amount of cash and Investment Obligations in the Series 27 Loan Loss Claim Fund exceeds the Series 27 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 27 Loan Loss Claim Fund Deposit exceeds the Series 27 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 27 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 27 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 27 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 27 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 27 Loan Loss Claim Fund Deposit Provider pursuant to the Series 27 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 27 Reimbursement Agreement and the Series 27 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 27 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 27 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 27 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 27 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 27 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 27 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 27 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 27 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 27 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 27 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 27 Loan Loss Claim Fund Deposit and deposit in the Series 27 Loan Loss Claim Fund an amount sufficient to cause the Series 27 Funded Loan Loss Claim Fund Requirement to equal the Series 27 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 27 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 27 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 27 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys on deposit in any Program

Account allocable to the Series 27 Bonds during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 27 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

### **Section 3.07. Series 27 Rebate Account.**

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 27 Bonds, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 27 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 27 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 27 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 27 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 27 Bonds have been paid in full, the Trustee shall pay to the United States from the Series 27 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 27 Rebate Requirement, the amount in the Series 27 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 27 Bonds the amount on deposit in the Series 27 Rebate Account exceeds the Series 27 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 3.07, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 3.07. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 27 Bonds.

(h) The purpose of this Section 3.07 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretations thereof. Accordingly, this section shall be construed so as to meet such requirements.

### **Section 3.08. Application of Certain Amounts in Revenue Fund.**

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 27 Bonds, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 27 Bonds to the Series 27 Loan Loss Claim Fund to the extent the amount therein is less than the Series 27 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 27 Bonds that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) \$10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 27 Loan Loss Claim Fund Deposit Provider in connection with the Series 27 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 27 Contingency Account Deposit Provider in connection with the Series 27 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy, the amount of the Municipal Bond Insurance Policy Premium, any fees, expenses and reimbursements payable to the provider of any Hedge Agreement, any fees, expenses and reimbursements payable to the providers of any Liquidity Facility and any fees, expenses and reimbursements payable with respect to the issuance of Variable-Rate Bonds unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced

ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 27 Bonds shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 27 Loan Loss Claim Fund Deposit Provider or the Series 27 Contingency Account Deposit Provider under either of the Series 27 Reimbursement Agreements, (ii) there are no amounts owed to the provider of any Hedge Agreement or Liquidity Facility, and (iii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 27 Bonds, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 27 Bonds, other than amounts held in the Rebate Fund, the Series 27 Contingency Account and the Series 27 Loan Loss Claim Fund and the amounts attributable to the Series 27 Bonds then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 27 Bonds plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under each of the Series 27 Reimbursement Agreements and any fees, expenses or reimbursements under any Hedge Agreement constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

## **ARTICLE IV**

### **FORM OF SERIES 27 BONDS**

#### **Section 4.01. Form of Series 27 Bonds.**

(a) All Series 27 Bonds authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Thirty-First Supplemental Resolution, as the Chair, Executive Director and Secretary or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 27 Bonds hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Thirty-First Supplemental Resolution, as the Chair, Executive Director and Secretary or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Authorization of Officers.** The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director and Secretary, Chief Financial Officer and Treasurer, Chief of Program Operations, Director of Homeownership Programs of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Thirty-First Supplemental Resolution, the Resolution, the Purchase Contract, the Tender Bond Remarketing Agreement, the Continuing Disclosure Agreement, the Official Statement or any other document contemplated herein.

**Section 5.02. Series Certificate.** The Chair or Vice-Chairman and the Executive Director and Secretary are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

**Section 5.03. Reimbursement Agreement.** The Chair, Vice-Chairman, or any other Commissioner, Executive Director and Secretary, Chief Financial Officer and Treasurer or Chief of Program Operations are hereby authorized to execute the Series 27 Reimbursement Agreements in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 27 Loan Loss Claim Fund Deposit Provider, the Series 27 Contingency Account Deposit Provider and the provider of any Liquidity Facility, as applicable.

**Section 5.04. Hedging Transactions.**

(a) In furtherance of the powers of the Agency granted in the Act, the Agency is hereby authorized to enter into a Hedge Agreement in connection with the issuance of the Series 27 Bonds so long as the Hedge Agreement and the terms thereof is consistent with the Agency's then existing Swap Management Plan and so long as the provider of the Hedge Agreement is, at the time the Agency enters into the Hedge Agreement, a Qualified Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution;

(b) If the Agency shall enter into any Hedge Agreement with respect to the Series 27 Bonds, then during the term of the Hedge Agreement and so long as the provider of the Hedge Agreement is not in default:

(i) for purposes of any calculation of Debt Service, the interest rate on the Series 27 Bonds with respect to which the Hedge Agreement applies shall be determined as if such Series 27 Bonds had interest payments equal to the interest payable on those Series 27 Bonds less any payments reasonably expected to be made to the Agency by the provider and plus any payments reasonably expected to be made by the Agency to the provider in accordance with the terms of the Hedge Agreement (other than fees or termination payments payable to such provider for providing the Hedge Agreement);

(ii) any such payments (other than fees and termination payments) required to be made by the Agency to the provider pursuant to such Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund on a parity basis with the payment of principal and interest on the Bonds and, as permitted by Section 207 of the Resolution, the obligation of the Agency to make such payments (other than fees and termination payments) shall be secured by a lien on and pledge of the Revenues, Loans, Reserve Deposits and other moneys, securities and rights under the Resolution on a parity with the pledge provided to the Owners of the Bonds as set forth in Section 501 of the Resolution;

(iii) any such payments received by or for the account of the Agency from the provider pursuant to such Hedge Agreement shall be deposited in the Debt Service Fund; and

(iv) fees and termination payments, if any, payable to the provider of the Hedge Agreement shall be treated as Program Expenses and shall be paid in accordance with Section 3.08(d) hereof.

#### **Section 5.05. Tender Bond Remarketing Agent.**

(a) The Tender Bond Remarketing Agent is hereby appointed by the Agency to serve as Tender Bond Remarketing Agent hereunder.

(b) Any corporation, association, partnership or firm which succeeds to the business of the Tender Bond Remarketing Agent (collectively, the "Agents") as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Agent under the Resolution. Such successor Agent shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and predecessor Agent shall from time to time execute, deliver, record and file such instruments as the incumbent Agent may reasonably require to confirm or perfect any succession hereunder.

(c) In the event that an Agent shall resign or be dissolved, or if the property or affairs of an Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Agency, by certificate of an Authorized Officer filed with the Trustee, shall appoint a successor. If in any such case the Agency shall fail to appoint a successor, the Trustee shall appoint a successor.

**Section 5.06. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement executed in connection with the issuance by the Agency of its Series 26 Bonds with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director and Secretary or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing

Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

**Section 5.07. Additional Documents and Agreements.** The Chair, Vice-Chairman, or any other Commissioner, Executive Director and Secretary, Chief Financial Officer and Treasurer or Chief of Program Operations are hereby authorized and directed to execute and deliver any other document, agreement or certificate contemplated by this Supplemental Resolution, including, without limitation, any Purchase Contract, Hedge Agreement, Liquidity Facility or Remarketing Agreement and any other document, agreement or certificate related thereto, in such forms as shall be approved by Counsel to the Agency.

**Section 5.08. Private Activity Volume Cap.** The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed \$50,000,000 in connection with the issuance of the Series 27 Bonds. The actual amount of private activity volume cap to be utilized for the Series 27 Bonds shall be set forth in the Series Certificate.

**Section 5.09. Agency Contribution.** The Agency is hereby authorized to contribute to the Resolution available funds of the Agency in an amount not to exceed three percent (3%) of the aggregate principal amount of the Series 27 Bonds for such purposes as shall be set forth in the Series Certificate, including, but without limitation, the payment of Costs of Issuance and capitalized interest.

**Section 5.10. Effective Date.** This Thirty-First Supplemental Resolution shall take effect immediately.

## ARTICLE VI

### MUNICIPAL BOND INSURANCE POLICY

**Section 6.01. Municipal Bond Insurance Policy.** If the Series Certificate provides for the acquisition of a Municipal Bond Insurance Policy in connection with all or a portion of the Series 27 Bonds, the Agency shall deposit such Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 27 Bonds.

**Section 6.02. Payment Procedures.** Except as shall otherwise be provided in the Series Certificate, as long as any such Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

- (a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 27 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 27 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the

Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 27 Bonds and the amount required to pay principal of the Series 27 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 27 Bonds a new Series 27 Bond or Series 27 Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 27 Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 27 Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 27 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 27 Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 27 Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 27 Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 27 Policy Payments Account of the Debt Service Fund (which Series 27 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 27 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 27 Bonds referred to herein as the "Series 27 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 27 Bonds and shall deposit any such amount in the Series 27 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 27 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 27 Bonds under the sections hereof regarding payment of Series 27 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 27 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.



(f) Any funds remaining in the Series 27 Policy Payments Account following a payment date with respect to the Series 27 Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 27 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

### **Section 6.03. Notices to the Bond Insurer.**

(a) While any Municipal Bond Insurance Policy is in effect, the Agency shall cause to be furnished to the Bond Insurer:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the registered owners of the Series 27 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 27 Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 27 Bonds;

(iii) any notice or certificate given to a Nationally Recognized Credit Rating Agency;

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 27 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 27 Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with issuance of the Series 27 Bonds;

(xii) all reports, notices and correspondence with respect to the Series 27 Bonds to be delivered under the terms of the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to such address as shall be designated by the Bond Insurer. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The Trustee shall notify the Bond Insurer of any failure of the Agency to provide any notice, certificate or other document required under the Resolution.

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 27 Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 27 Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 27 Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 27 Bonds as required and

immediately upon the occurrence of any Event of Default with respect to the Series 27 Bonds.

**Section 6.04. Consent of the Bond Insurer.** While any Municipal Bond Insurance Policy is in effect, no modification, amendment or supplement to the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with the Series 27 Bonds that requires the consent of the owners of the Series 27 Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Thirty-First Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from Standard and Poor's and Moody's that, after giving effect to such amendment, modification or supplement, the Series 27 Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Thirty-First Supplemental Resolution or any other document executed in connection with the Series 27 Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

**Section 6.05. Consent of the Bond Insurer in the Event of Insolvency.** Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 27 Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

**Section 6.06. Rights of Bond Insurer.** The Bond Insurer shall be deemed to be the sole holder of the Series 27 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 27 Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 27 Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 27 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 27 Bonds shall be fully discharged.

**Section 6.07. Defeasance of Series 27 Bonds.** Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 27 Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 27 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 27 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 27 Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 27 Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 27 Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 27 Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

**Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses.**

Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 27 Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds; (b) the pursuit of any remedies under the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, this Thirty-First Supplemental Resolution or any other document executed in connection with the issuance of the Series 27 Bonds.

**Section 6.09. Payments by Bond Insurer.** The Bond Insurer shall be entitled to pay principal or interest on the Series 27 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 27 Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

**Section 6.10. Additional Bonds.** No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution); provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

**Section 6.11. The Bond Insurer as Beneficiary Hereof.** To the extent that this Thirty-First Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**Section 6.12. Parties Interested Herein; References to Ratings.** Nothing in this Thirty-First Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 27 Bonds, any right, remedy or claim under or by reason of this Thirty-First Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Thirty-First Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 27 Bonds.

Notwithstanding anything in the Resolution or this Thirty-First Supplemental Resolution to the contrary, any reference in the Resolution or the Thirty-First Supplemental Resolution with respect to the ratings maintained in the Series 27 Bonds by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 27 Bonds.

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**EXHIBIT A**

**DIRECTION TO TENDER**

VERMONT HOUSING FINANCE AGENCY  
SINGLE FAMILY HOUSING BONDS  
Series 27 Tender Bonds Selected  
For Tender on \_\_\_\_\_

TD Banknorth, N.A.  
Burlington, VT 05402-0409  
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

We have received the Trustee's notification of the mandatory tender and proposed exchange of the above-mentioned Bonds for Adjusted Rate Bonds which will become effective on \_\_\_\_\_ (the "Adjustment Date").

In accordance with the information given in the Trustee's Notice dated \_\_\_\_\_, we hereby give you irrevocable notice that we elect to retain \$\_\_\_\_\_ aggregate principal amount of Series 27 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 27 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

Series	Maturity	Amount
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[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Thirty-First Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 27 Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of The Depository  
Trust Company

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date