



REPORT TO COUNCIL
City of Sacramento
915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

Consent
October 25, 2011

Honorable Mayor and Members of the City Council

Title: Refinancing of Community Development Block Grant (CDBG) Section 108 Loan

Location/Council District: Citywide

Recommendation: Adopt a **City Council Resolution:** 1) authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to refinance the existing United States Department of Housing and Urban Development (HUD) Section 108 Loan (Loan # B-97-MC-06-0003) Series 2001-A; 2) authorizing the Mayor of the City of Sacramento and SHRA, by action of its Executive Director, to execute all required loan documents including the new HUD Contract for Loan Guarantee Assistance and fixed rate note, and 3) authorizing an amendment to the SHRA budget to remit the February 1, 2012 interest payment of \$67,298 as well as the cost of issuance estimated at \$10,475 to the Trustee prior to close.

Contact: Don Cavier, Director of Finance, 440-1325; Kelly Tang, Finance Manager, 449-6217

Presenters: Not applicable

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: In 2001, SHRA received a HUD Section 108 loan to finance the Del Paso Nuevo Homeownership Project. The outstanding principal on the note is \$2,095,000. HUD is scheduled to have a Section 108 public offering on November 17, 2011 in which the entire balance of the Agency loan can be refinanced at an extremely favorable rate. No other terms of the note will be changed other than the interest rate. HUD has estimated that the refinance of the existing note will yield a savings of approximately \$500,000 over the remaining 10-year term. The schedule below was provided by HUD to illustrate the difference between the current interest rates under the Series 2001-A note compared to the projected interest rates for the new Series 2011-A offering (based on current US Treasury yields and estimated spreads).

Refinancing of CDBG Section 108 Loan

Series	2001-A	2011-A
Payment Date	Current Rate	Estimated Rate
Aug 1, 2012	6.00%	0.25%
Aug 1, 2013	6.08%	0.37%
Aug 1, 2014	6.17%	0.59%
Aug 1, 2015	6.25%	0.86%
Aug 1, 2016	6.36%	1.26%
Aug 1, 2017	6.45%	1.63%
Aug 1, 2018	6.51%	1.81%
Aug 1, 2019	6.56%	1.99%
Aug 1, 2020	6.62%	2.22%
Aug 1, 2021	6.67%	2.44%

Policy Considerations: There are no policy implications as a result of refinancing the Agency's current Section 108 loan.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed actions consist of governmental fiscal activities that will not involve a commitment to a project that may result in any impact to the environment. Therefore, the actions are not considered a project pursuant to CEQA Guidelines Section 15378 and an environmental review is not required.

Sustainability Considerations: Not applicable.

Other: The proposed actions consist of administrative and management activities in furtherance of governmental refinancing activities. As such, all proposed actions are Exempt under the National Environmental Policy Act (NEPA) pursuant to 24 CFR 58.34 (a)(2) and (3).

Rationale for Recommendation: According to the information provided by HUD, the actions recommended in this report enable the Agency to save approximately \$500,000 in interest payments on the new Section 108 loan over the remaining 10-year term.

Refinancing of CDBG Section 108 Loan

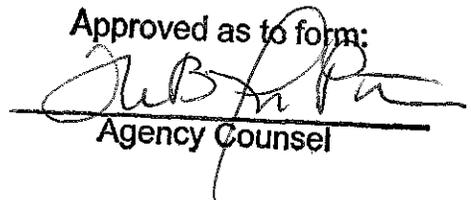
Financial Considerations: The refinancing of the Del Paso Nuevo HUD Section 108 loan will be accomplished through the 2011 HUD Section 108 Public Offering. The terms of the new promissory note will be exactly the same as the existing fixed rate promissory note, with the principal payment schedule and the maturity of the loan remaining the same, and the security provisions of the existing note applying to the new note. The only change is the reduction of the interest rate. At the closing of the old note, SHRA will be responsible for remitting an interest payment of \$67,298 to prepay the interest up to February 1, 2012, as well as the issuance costs of \$10,475.

M/WBE Considerations: The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by: 
LA SHELLE DOZIER
Executive Director

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Approved as to form:

Agency Counsel

APPROVED AS TO FORM:

CITY ATTORNEY



Secretary of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Sir or Madam:

The undersigned, being duly licensed and in good standing to practice law in the State of California, is legal counsel to the Sacramento Housing and Redevelopment Agency (SHRA) ("Borrower"), a public agency designated by the City of Sacramento to issue the notes referred to herein and to receive the proceeds thereof. As such, I have represented the Borrower regarding that certain promissory note, referred to as Note No. B-97-MC-06-003 in the Aggregate Principal Amount of \$2,095,000 (the "Note"), to be executed by Borrower payable to the order of the Registered Holder thereof, and to be guaranteed by the Secretary of Housing and Urban Development ("HUD") under section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. 5308 ("Section 108"). The Note will be included in a trust created by HUD (together with other Section 108 Notes issued by other borrowers), and trust certificates based on the trust will be sold in the Series 2011-A public offering by underwriters selected by HUD. HUD's guarantee of the Note will be governed by the Contract for Loan Guarantee Assistance under Section 108 between the City of Sacramento, the Borrower, and HUD (the "Contract"), in which the City of Sacramento and the Borrower pledge Community Development Block Grants pursuant to 24 CFR 570.705(b)(2), as well as any other security specified in the Contract, as security for HUD's guarantee.

In my capacity of legal counsel, I have made an examination and investigation of all such matters of fact and questions of law as I consider necessary or advisable to enable me to render the opinion hereafter set forth. Specifically, and without limiting the generality of the foregoing, I have examined:

1. [Cite applicable provisions of the Constitution and/or Statutes of the State [Commonwealth].] **[optional]**
2. [Cite applicable provisions of Charter and Ordinances of the Borrower.] **[optional]**
3. A Resolution of the governing body of Borrower dated June 1998 authorizing Borrower to enter into this transaction, and authorizing the Executive Director of SHRA to execute on behalf of Borrower all documents necessary or desirable to accomplish the transaction.

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4. The Contract
5. The Note
6. The Amended and Restated Master Fiscal Agency Agreement dated as of May 17, 2000, the Trust Agreement dated as of January 1, 1995, and the form of Supplement to the Trust Agreement to be executed by the Secretary of HUD for the closing of the public offering.

Based on the foregoing investigation and authorities, I am of the opinion that:

1. Borrower has authorized this transaction in accordance with applicable State and local law, including the issuance of the Note, and the execution of all other documents necessary or desirable to accomplish the transaction.

2. Borrower has authorized LaShelle Dozier in her capacity as Executive Director of SHRA, to execute the Contract, the Note and all other documents necessary or desirable to accomplish the transaction on behalf of the Borrower.

3. The Note and the Contract have been duly executed by the aforementioned authorized representative of the Borrower, and upon delivery thereof, due execution of the Contract on behalf of the City and HUD, due execution of the Guarantee on behalf of HUD, and receipt of the loan proceeds on behalf of the Borrower, the Note and Contract shall be valid, binding and enforceable obligations of the Borrower.

4. There is no outstanding, or to my (our) knowledge threatened, action, suit, proceeding, investigation or litigation by or against the Borrower that will affect the validity of the Note or the security therefor.

Sincerely,

Approval to Refinance CDBG Section 108 Loan

October 25, 2011

Secretary of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Sir or Madam:

The undersigned, being duly licensed and in good standing to practice law in the State of California, is acting as legal counsel to the City of Sacramento. This opinion is issued in connection with that certain promissory note, referred to as Note No. B-97-MC-06-003 in the Aggregate Principal Amount of \$2,095,000 (the "Note"), to be issued by the Sacramento Housing and Redevelopment Agency (SHRA) (the "Borrower") payable to the order of the Registered Holder thereof, and to be guaranteed by the Secretary of Housing and Urban Development ("HUD") under section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. 5308 ("Section 108"). The Note will be included in a trust created by HUD (together with other Section 108 Notes issued by other borrowers), and trust certificates based on the trust will be sold in the Series 2011-A public offering by underwriters selected by HUD. HUD's guarantee of the Note will be governed by the Contract for Loan Guarantee Assistance under Section 108 entered into by the Borrower, the City of Sacramento and HUD (the "Contract"), in which the City of Sacramento and the Borrower pledge Community Development Block Grants pursuant to 24 CFR 570.705(b)(2), and any other security specified in the Contract, as security for HUD's guarantee.

In my capacity as legal counsel, I have made an examination and investigation of all such matters of fact and questions of law as I consider necessary or advisable to enable me to render the opinion hereafter set forth. Specifically, and without limiting the generality of the foregoing, I have examined the Note, the Contract and a Resolution of the governing body of the City of Sacramento dated October 25, 2011 (i) authorizing the **[City, County, etc.]** to enter into this transaction, (ii) authorizing the Executive Director to execute on behalf of the **[City, County, etc.]** all documents necessary or desirable to accomplish the transaction, and (iii) designating the Borrower as the public agency to issue the Note and receive the proceeds thereof.

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[Citing additional specific legislative authority as follows is optional.] In addition, I [we] have examined [insert citations of applicable State constitutional or statutory provisions, or municipal charter or ordinances.]

Based on the foregoing investigation and applicable authorities, I am of the opinion that:

1. The City of Sacramento has authorized this transaction and has authorized Mayor Johnson in his capacity as Mayor of Sacramento to execute the Contract, and any other documents that must be executed on behalf of the City of Sacramento for this transaction. The Contract has been duly executed by the aforementioned representative of the City of Sacramento. The undertakings of the City of Sacramento in the Contract are valid and enforceable, subject to the execution of the Contract and related documents by the other parties thereto, as applicable.

2. Specifically, the pledge of present and future Community Development Block Grants by the City of Sacramento pursuant to 24 CFR 570.705(b)(2) and the Contract is valid.

3. There is no outstanding, or to my knowledge threatened, action, suit, proceeding, investigation or litigation by or against the City of Sacramento which will affect the validity of the Contract or the pledge of Community Development Block Grants therein.

Sincerely,

INSTRUCTIONS

[The model opinion and instructions are available electronically from HUD. Contact your HUD program office representative in the Financial Management Division or one of the attorneys listed at the end of the instructions.]

1. Opinions must be signed by an attorney admitted to practice and in good standing in the applicable State or Commonwealth. The attorney shall issue the opinion on behalf of a private firm or a local governmental legal officer or office that represented the Borrower or Unit of General Local Government, or both (as applicable) in the transaction, and must be on the firm's or office's letterhead. If issued by a firm, the opinion must be signed on behalf of the firm by a partner or with the firm name as authorized by the firm. If issued by a governmental legal officer or office, the opinion must be signed by the officer, the head of the legal office, or by a senior lawyer with authority to bind the office. The appropriate plural [bracketed] pronouns in the draft should be used for opinions signed on behalf of multi-lawyer firms or offices.

2. Citing the applicable resolutions as shown in the model opinions is required. The specific citations of constitutional or statutory authority (marked "optional" in the models) are recommended to evidence thoroughness and to enhance the credibility of the opinion, but they can be omitted in the judgment of the attorney rendering the opinion. Of course, should facts or legal authorities come to HUD's attention which call an opinion into question, HUD reserves the right to reject, or require such revision to, any opinion, as HUD in its sole discretion may determine.

3. The local counsel's opinions are based upon the requirements of paragraph 4(b) of the Contract for Loan Guarantee Assistance (the "Contract") and are in support of requirements in the Underwriting Agreement for a HUD opinion given at closing for the public offering. The use of the model opinions without substantial change is strongly encouraged to permit HUD staff to accept and rely on the opinions on their face, without time-consuming call-backs, investigation, and revision. Conditions and qualifying language in legal opinions require specific review by HUD legal staff, may tend to slow processing of the loan guarantee documentation, and are generally discouraged, unless they are essential in a particular case.

However, qualifications which exclude the validity of, or the authority for, execution of the documents on behalf of the Borrower or the Unit of General Local Government from the coverage of the opinion, assume the validity of such execution, or exempt the signatory attorney from knowledge of the validity

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of the execution, are not acceptable. HUD deals nationally with many cities, counties, and other public bodies, and cannot independently verify the signatures of officials of those entities. The counsel's opinions covering proper execution serve as an important check on such validity.

While not a cause for rejection of an opinion *per se*, it is not necessary to qualify an opinion by stating that enforceability of the notes may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, or similar general laws or equity principles relating to or affecting creditors' rights or providing remedies for the relief of debtors, or that the availability of specific performance or injunctive relief in aid of enforcement of the documents may be limited by equitable rights and defenses. HUD is aware that there may be exceptions to the enforceability of its rights as a creditor based on generally applicable laws and equitable principles; that is why HUD regards the pledge of present and future CDBG grants, which are controlled by HUD, as the principal security for repayment of the notes. The purpose of the legal opinions is not to get an attorney to act as insurer of the absolute enforceability of the documents, but rather to require that there has been legal review adequate to assure proper authorization and execution of the notes and related documents by the proper parties under State and local law.

4. The opinions attached hereto are for transactions in which CDBG entitlement grantees use designated public agencies to act as Borrower (to issue notes and receive the proceeds thereof) under the Contract, pursuant to 24 CFR 570.704(c)(4) and 570.705(b). In these cases, there are two possibilities with respect to legal opinions. The first opinion above assumes that the same attorney represented the Borrower and the unit of general local government [City, County, etc.] in this transaction. The second and third opinions assume that different counsel represented the applicant Unit of General Local Government and its designated public agency. HUD has no preference as which of the two opinion structures is used - this is left to local discretion.

If you are involved in a transaction where the Unit of General Local Government itself, not its designated public agency, will issue the Note, or involving a section 108 loan guarantee on behalf of a State-administered nonentitlement Unit of General Local Government, HUD has model opinions specifically adapted for those transactions. Please contact the program office listed in paragraph 7 for a copy of the appropriate model opinion package.

Neither the Borrower nor the Unit of General Local Government is required to execute the Trust Agreement or the Amended and Restated Master Fiscal Agency Agreement; those documents are incorporated by reference in the Contract and Note, and the Borrower agrees to the terms of those documents by

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executing the Contract and the Note. Copies of the Amended and Restated Master Fiscal Agency Agreement, Trust Agreement, and the form of Supplement to the Trust Agreement to be executed on behalf of the Secretary at closing on the Public Offering Date should have been included in the package of documents transmitted to the Borrower by HUD. If they were not, and if you have not previously reviewed them, please contact the CPD Financial Management Division phone number at the end of these instructions for copies, if necessary. The Trust Agreement and the Amended and Restated Master Fiscal Agency Agreement have not changed since the last public offering, and no significant change is anticipated in the Supplement to the Trust Agreement except for dates and the schedules of the obligations covered by the Supplement.

5. The attorney should assure that the legal names of the Borrower and the Unit of General Local Government in the Note and the Contract are correct and should notify HUD if they are not. The note number to be inserted in the opinion in the first paragraph appears in the heading of the Note. The Aggregate Principal Amount to be inserted also appears in the heading of the Note and at the end of the Schedule P&I attached to the Note (these should agree).

[Background - Unlike Section 108 interim (variable rate) financing, the entire Aggregate Principal Amount of the Note will be disbursed at closing on the Public Offering Date: (i) to pay off interim financing (or a public offering note being refinanced, if applicable), (ii) for deposit in the Borrower's Guaranteed Loan Funds Account under paragraph 1 of the Contract, or (iii) (by deduction) to pay the fees referred to in paragraph 4 of the Contract if so requested by the Borrower. **Also unlike interim financing, Principal Amounts due on particular Principal Due Dates on Schedule P&I cannot be amended (even with HUD approval) after closing of the public offering.** Borrower's counsel should assure that the Borrower's financial officials are satisfied that Schedule P&I accurately represents the repayment schedule agreed between the Borrower and HUD.]

"Other Security" Opinions

6. If so provided in the Contract, an additional opinion or opinions may be requested of Borrower's counsel or other counsel with regard to "other security" as negotiated between HUD and the Borrower/Unit of General Local Government for a particular transaction. If such opinions have previously been furnished in connection with interim financing, the same opinions do not have to be submitted again. Generally, any additional opinions related to "other security" will be described in paragraph 15 of the Contract. The Contract may require such other security opinions to be delivered to HUD with the executed Note and Contract or at a later time, and the Contract may provide that they be delivered to a local custodian, rather than HUD. If so,

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it is recommended that such opinions be separate from the attached model opinion required with respect to execution and validity of the Note and Contract. However, if the other security opinion(s) are required by the Contract to be submitted to HUD at the same time as the model opinion, they may be combined with the model opinion. Due to the variety of "other security" provisions, model language for the "other security" opinions cannot be furnished routinely.

7. If there are any questions, including specific questions about "other security" opinions, the local CDBG grantee program office may contact its representative in HUD's Office of Community Development, Financial Management Division, at 202-708-1871. Local counsel may also directly call Evelyn Wrin or Carey Whitehead in HUD's Office of General Counsel at 202.402.5220 or 202.402.3106, respectively, or send an email to evelyn.m.wrin@hud.gov or carey.c.whitehead@hud.gov, with questions about the opinion.



EXECUTION

AMENDED AND RESTATED
MASTER FISCAL AGENCY AGREEMENT

among

the

SECRETARY OF HOUSING
AND URBAN DEVELOPMENT

and

THE CHASE MANHATTAN BANK
(formerly known as Chemical Bank)
as Fiscal Agent

Dated as of May 17, 2000

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- Exhibit A-2. Form of Fixed Rate Note
- Exhibit B. Form of Guarantee
- Exhibit C. Form of Authorization Order
- Exhibit D. Form of Advance Order
- Exhibit E. Form of Notice of Missed Borrower Payment from
Fiscal Agent to Secretary
- Exhibit F. Form of Notice for Guarantee Payment from Fiscal
Agent to Secretary
- Exhibit G. Schedule of Fiscal Agent Fees for Variable/Fixed Rate Note Services

**AMENDED AND RESTATED
MASTER FISCAL AGENCY AGREEMENT**

This MASTER FISCAL AGENCY AGREEMENT (the "Agreement") dated as of May 17, 2000 is made and entered into by and between the Secretary of Housing and Urban Development on behalf of certain Borrowers, as hereinafter defined and The Chase Manhattan Bank (formerly known as Chemical Bank), a banking corporation organized and existing under the laws of the State of New York, as Fiscal Agent (the "Fiscal Agent").

This Agreement amends and restates the Master Fiscal Agency Agreement dated as of November 28, 1995 among the Borrowers (as defined therein) and Chemical Bank, a bank organized and existing under the laws of the state of New York, as Fiscal Agent. This Agreement is effective only with respect to those Notes delivered to the Fiscal Agent on or after the date first referenced above.

In consideration of the premises and of the mutual agreements herein contained, the parties agree as follows:

ARTICLE I

DEFINITIONS

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

Act: The Housing and Community Development Act of 1974, as amended, 42 U.S.C. §§ 5301 et seq.

Advances: Such amounts as may be advanced to or on behalf of a Borrower under a Variable/Fixed Rate Note from time to time by the Holder of such Variable/Fixed Rate Note pursuant to an interim financing agreement. Unless expressly stated, the term "Advance" does not include "Conversion Date Advances."

Advance Order: The written order of the Secretary delivered to the Fiscal Agent pursuant to Section 2.04(b) hereto, in substantially the form set forth in Exhibit D hereto.

Agreement: This Amended and Restated Master Fiscal Agency Agreement and all amendments and supplements hereto.

Aggregate Principal Amount: For each Variable/Fixed Rate Note, the sum of all Advances and, if applicable, Conversion Date Advances, under such Variable/Fixed Rate Note.

Authorization Order: The written order of the Secretary delivered to the Fiscal Agent pursuant to Section 2.03 and Section 2.04(a) or (c) hereto, in substantially the form set forth in Exhibit C hereto.

Authorized Officer: When used with respect to the Fiscal Agent, means the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Fiscal Agent customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a

particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

Authorized Official: When used with respect to the United States Department of Housing and Urban Development, the Secretary and any other official of such department who at the time shall have been duly authorized to act on behalf of the Secretary.

Borrowers: Eligible public entities, or public agencies designated by such eligible public entities, which have issued debt obligations guaranteed by the Secretary pursuant to Section 108.

Business Day: A day on which banking institutions in New York City are not required or authorized to remain closed and on which the Federal Reserve Bank of New York and the New York Stock Exchange are not closed.

Commitment Amount: The commitment amounts stated on the Commitment Schedule for a Variable/Fixed Rate Note for each related Principal Due Date. The aggregate of all Advances for each Principal Due Date shall not exceed the related Commitment Amount for any Variable/Fixed Rate Note.

Contract: Any Contract for Loan Guarantee Assistance, including any amendments, entered into between a Borrower and the Secretary providing for the issuance of Notes and their related Guarantees by such Borrower and the Secretary, respectively.

Conversion Date: The date (if any) upon which a Variable/Fixed Rate Note is (i) delivered by its Holder to the Fiscal Agent against payment therefor by the purchasers selected by the Secretary to make such payment and (ii) assigned to The Chase Manhattan Bank (or any successor thereto) acting in its capacity as Trustee (the "Trustee") pursuant to a Trust Agreement

among the Secretary and the Trustee, dated as of January 1, 1995, as such agreement may be amended or supplemented. Upon the occurrence of (i) and (ii) in the previous sentence such Variable/Fixed Rate Note converts to a fixed rate obligation, in accordance with its terms.

Conversion Date Advances: Amounts funded on the Conversion Date of a Variable/Fixed Rate Note pursuant to Paragraph 2.04(c).

Corporate Trust Office: The Chase Manhattan Bank's Structured Finance Operations Department, which, at the date of the execution of this Agreement, is located at 450 West 33rd Street, 8th Floor, New York, New York 10001, or any subsequent office of The Chase Manhattan Bank of which the Secretary is notified or the office of a successor fiscal agent.

Date of Note: The date of note stated on any Note.

Director, Financial Management Division: The Director of the Financial Management Division, Office of the Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development, and any other official of such department who at the time shall have been duly authorized to act on behalf of such Director.

Fiscal Agent: The Chase Manhattan Bank (formerly known as Chemical Bank), a banking corporation organized and existing under the laws of the State of New York, or its successor in interest, or any successor fiscal agent appointed as herein provided.

Fixed Rate Notes: Notes issued by Borrowers with scheduled fixed interest rates from the date of issuance, substantially in the form of Exhibit A-2 hereof.

Funding Date: In the case of a Variable/Fixed Rate Note, the date of an Advance under such Note, which shall be the Wednesday of any week as requested by a Borrower pursuant to Section 2.04, unless otherwise agreed upon by the initial Holder of such Note and the Secretary. If Wednesday is not a Business Day, then the Funding Date shall be the next succeeding Business Day. Notwithstanding the foregoing, no Funding Date shall occur during the seven day period immediately preceding either (i) a Public Offering Date, or (ii) a Payment Date.

Government Obligation: A direct obligation of, or any obligation for which the full and timely payment of principal and interest is guaranteed by, the United States of America, including but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds - State and Local Government Series, or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by the Fiscal Agent.

Guarantee: With respect to any Note, the related Guarantee made by the Secretary pursuant to Section 108 by which the Secretary guarantees the timely payment of the principal of and interest on such Note.

Guarantee Payment: Any payment made by the Secretary pursuant to a Guarantee.

Holder: The Person in whose name a Note is registered in the Note Register.

Maximum Commitment Amount: The sum of the Commitment Amounts stated on the Commitment Schedule attached to a Variable/Fixed Rate Note. The aggregate of all Advances under a Variable/Fixed Rate Note shall not exceed the Maximum Commitment Amount for such Note.

Note: Any note issued by a Borrower and guaranteed by the Secretary pursuant to Section 108, substantially in the form set forth in Exhibit A-1 or A-2 hereto, that is subject to this Agreement.

Note Account: The account created and maintained pursuant to section 3.05.

Note Register: The Register maintained by the Fiscal Agent pursuant to Section 5.01.

Opinion of Counsel: A written opinion of counsel for the Secretary, who may be, but does not have to be, an employee of the Department of Housing and Urban Development.

Payment Date: With respect to all payments due for a Fixed Rate Note or a Variable/Fixed Rate Note after the Conversion Date, each February 1 and August 1. With respect to all payments due for a Variable/Fixed Rate Note on or before the Conversion Date, each February 1, May 1, August 1 and November 1 and the Conversion Date or any other date specified in the applicable Note, on which interest or principal is due and payable. If any Payment Date is not a Business Day, then payments payable on such Payment Date shall be made on the next Business Day.

Person: Any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

Principal Amount: In the case of a Variable/Fixed Rate Note (i) before the Conversion Date for such Note, the aggregate amount of Advances made for each Principal Due Date specified in the related Commitment Schedule thereunder, less the amount of any redemption or principal repayment; and (ii) on or after the Conversion Date, the principal amount stated for

each Principal Due Date in Schedule P&I thereto less the amount of any Optional Redemption (as defined in the Note) or principal repayment. In the case of a Fixed Rate Note, the principal amount stated for each Principal Due Date in Schedule P&I thereto less the amount of any Optional Redemption (as defined in the Note) or principal repayment.

Principal Due Date: The stated due date of a Principal Amount outstanding under a Note. If any Principal Due Date is not a Business Day, then payments payable on such Principal Due Date shall be made on the next Business Day.

Public Offering Date: The date of the sale of specified Notes to the underwriters selected by the Secretary in connection with the pooling and public offering of the related series of participation certificates backed by such specified Notes.

Record Date: With respect to any Note, the close of business on the fifteenth calendar day of the month next preceding the month in which a Payment Date occurs.

Secretary: The Secretary of Housing and Urban Development.

Section 108: Section 108 of Title 1 of the Act.

Trustee: The Chase Manhattan Bank, acting in its capacity as Trustee pursuant to the Trust Agreement.

Trust Agreement: The Trust Agreement dated as of January 1, 1995, among the Secretary and The Chase Manhattan Bank, as such agreement may be amended or supplemented from time to time.

Variable/Fixed Rate Notes: Notes issued by Borrowers with a variable interest rate, which converts to scheduled fixed interest rates on the Conversion Date, in substantially the form of Exhibit A-1 hereto.

ARTICLE II

DELIVERY AND REGISTRATION OF NOTES

Section 2.01. Details of Notes. From time to time following the execution and delivery hereof and in accordance with the procedures described herein, the Secretary shall deliver to the Fiscal Agent one or more Notes of one or more Borrowers. Each Note shall be in the form of a fully registered note. The Aggregate Principal Amount of a Variable/Fixed Rate Note shall not exceed such Variable/Fixed Rate Note's Maximum Commitment Amount. Each Note shall be registered in the Note Register pursuant to instructions to be furnished by the Secretary to the Fiscal Agent in accordance with Sections 2.03 and 2.04. Pursuant to the Contract related to each Borrower's Note, each Borrower will have authorized the Secretary to list its Note in the Authorization Order delivered by the Secretary pursuant to Sections 2.03 or 2.04(a) or (c) or any Advance Order delivered by the Secretary pursuant to Section 2.04(b). The Fiscal Agent shall have no responsibility in respect of the authorizations of any Borrower under the relevant Contract or with respect to the information supplied by the Secretary in the Authorization Order from the Secretary pursuant to Section 2.03 or 2.04(a) or (c) or the Advance Order from the Secretary pursuant to Section 2.04(b). Pursuant to such Contract, each Borrower designates and appoints the Fiscal Agent as the paying agent and calculation agent for its Variable/Fixed Rate Notes prior to the Conversion Date, and registrar for all of such Borrower's Notes.

Section 2.02. Acceptance by Fiscal Agent. Upon its receipt of any Notes and their related Guarantees, the Fiscal Agent will acknowledge receipt of such Notes and related

Guarantees delivered by the Secretary to the Fiscal Agent, as paying agent and calculation agent for the Variable/Fixed Rate Notes prior to the Conversion Date, and as registrar for all of the Borrowers' Notes.

Section 2.03. **Authorization Order**. (a) Not less than two (2) Business Days (or such shorter period as the Secretary and the Fiscal Agent shall agree upon) before (i) the time of any delivery of any Notes to Holders under this Agreement and (ii) any Conversion Date, the Secretary shall deliver to the Fiscal Agent an Authorization Order substantially in the form of Exhibit C hereto, which Authorization Order shall direct the Fiscal Agent to: (i) for Fixed Rate Notes, register such Notes, including Schedule P&I thereto; or (ii) for Variable/Fixed Rate Notes, either register the Notes before an initial Advance thereunder, or, on the related Conversion Date, attach the original or revised Schedule P&I to the specified Notes, as applicable. Following such actions, the Fiscal Agent shall deliver the Notes and their related Guarantees in accordance with the terms set forth in the related Authorized Order(s).

(b) Each such order shall set forth the following information, (if necessary):

- (1) the Note number(s) and Borrower name(s)
- (2) the name and address of the Holder;
- (3) whether each Note is Fixed Rate or a Variable/Fixed Rate Note;
- (4) in the case of any Variable/Fixed Rate Note, the aggregate amount of any initial Advance, and the allocation of such Advance to each related Commitment Amount and Principal Due Date;

(5) the Principal Amount and Principal Due Date (or dates) in the case of a Fixed Rate Note;

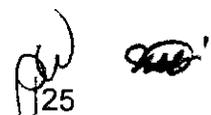
(6) whether the Notes and their related Guarantees are to be held physically by the Fiscal Agent or transferred to the Holder (or its nominee) of the Notes, and the date such delivery or transfer is to occur;

(7) whether the Notes or certain Principal Amounts due under the Notes are subject to redemption or acceleration prior to their Principal Due Dates and if so, the terms and conditions relating to any redemption or acceleration; and

(8) any additional information, directions or Schedules from the Secretary regarding the issuance of the Notes.

(c) the Fiscal Agent agrees that following its receipt of: (1) the Notes and their related Guarantees from the Secretary on behalf of the Borrowers; (2) an Authorization Order from the Secretary covering such Note or Notes; and (3) such Opinion of Counsel and other documents as the Fiscal Agent may reasonably request, the Fiscal Agent will register and deliver the Notes and their related Guarantees in accordance with, and upon the direction of, the Secretary as specified in such Authorization Order.

Section 2.04. **Advances and Conversion Date Advances under Variable/Fixed Rate Notes.** (a) **Initial Advances.** Each Variable/Fixed Rate Note provides that the initial Holder thereof shall make an initial Advance under the Variable/Fixed Rate Note on any applicable Funding Date upon the written request of the Borrower and the approval of the Secretary. The Borrower shall deliver its request for an initial Advance to the Secretary at least ten Business

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Days in advance of the requested Funding Date. Such request shall include the name of the Borrower, each Principal Due Date for which an Advance is requested, and the amount of each related initial Advance. The Secretary shall deliver to the Fiscal Agent an Authorization Order evidencing such approval for all initial Advances requested for each relevant Funding Date, either together with the related Variable/Fixed Rate Notes, Guarantees and such Opinions of Counsel and such other documents as the Fiscal Agent has requested, or as otherwise agreed. If the initial amount funded under a Variable/Fixed Rate Note is a Conversion Date Advance, then the procedures set forth in Section 2.04(c) below apply instead of this paragraph or paragraph 2.04(b). The Fiscal Agent shall (i) disburse initial Advances in accordance with Section 2.04(d) and the relevant Authorization Order; and (ii) reflect any such initial Advances on its books and records.

(b) Subsequent Non-Conversion Date Advances. A Borrower may request additional Advances under a Variable/Fixed Rate Note from time to time for any Funding Date following the date of such Note's initial Advance in accordance with the Contract. The Borrower shall deliver its request for such an Advance to the Secretary at least five Business Days in advance of the requested Funding Date. Such request shall include the name of the Borrower, the Note number and Maximum Commitment Amount of the Note, the aggregate of funds requested under the Advance, and the amount of the Advance allocated to each Principal Due Date and each Commitment Amount, as applicable. The Secretary shall deliver an Advance Order, substantially in the form of Exhibit D hereto, to the Fiscal Agent with respect to all Advances approved by the Secretary for each Funding Date following the date of an initial Advance under a Variable/Fixed Rate Note. The Fiscal Agent shall (i) disburse such Advances in accordance

with Section 2.04(d) and the relevant Advance Order; and (ii) reflect any such Advances on its books and records.

(c) Conversion Date Advances. A Borrower may request a Conversion Date Advance under a Variable/Fixed Rate Note. The Borrower shall deliver its request for such Conversion Date Advance to the Secretary at least ten Business days in advance of the relevant Conversion Date. Such request shall include the name of the Borrower, each Principal Due Date for which a Conversion Date Advance is requested and the amount of any such Conversion Date Advances, together with the Schedule P&I approved by the Secretary for the applicable Borrower's Note. The Secretary shall deliver to the Fiscal Agent an Authorization Order and a revised Schedule P&I including such Conversion Date Advances for each Variable/Fixed Rate Note for which a Conversion Date Advance is made. The Fiscal Agent shall reflect any such Conversion Date Advances on its books and records. The proceeds of each Conversion Date Advance, net of any fees due from the Borrower pursuant to Section 6.01(a) hereof or Section 7.01 of the Trust Agreement shall be disbursed to the Borrower by the Trustee on the Conversion Date.

(d) Procedures. Unless otherwise agreed, all documents required to be delivered to the Fiscal Agent must be received by the Fiscal Agent two Business Days before the related Funding Date or Conversion Date, as applicable. The Fiscal Agent shall notify the Holder of each Variable/Fixed Rate Note of a requested Advance and payment instructions therefor no later than 10:00 a.m. on the Business Day before the Funding Date. The Holder of each Variable/Fixed Rate Note shall remit to the Fiscal Agent Federal funds representing the aggregate amount of all Advances for such Funding Date, which shall not be less than \$25,000 (unless otherwise agreed by the Holder and the Secretary) no later than 2:00 p.m. on such Funding Date. The Fiscal Agent shall remit the proceeds of each Advance in accordance with the instructions provided to

the Fiscal Agent by the Secretary to the respective Borrower thereof, net of any fees due the Fiscal Agent pursuant to Section 6.01(a) hereof.

(e) Recordkeeping. The Fiscal Agent shall keep a record of (i) all Advances and Conversion Date Advances; (ii) the related Commitment Amounts and the Maximum Commitment Amount and any changes to the same relating to a redemption prior to a Conversion Date or any changes for which the Secretary has provided written notice; (iii) any payments (including prepayments) received in each case for any relevant Principal Due Date; and (iv) any fees paid by the Borrower to the Fiscal Agent with respect to each Variable/Fixed Rate Note (including any amounts withheld by the Fiscal Agent from disbursements to the Borrower). By the fifth Business Day of each month, the Fiscal Agent shall provide the Secretary and the Holder of the related Variable/Fixed Rate Notes with a report of the information contained in the previous sentence for each Variable/Fixed Rate Note as of the last day of the preceding month.

ARTICLE III

ADMINISTRATION OF NOTES

Section 3.01. Modification of Notes. To the extent permitted by the Note, any term of any Note may be modified by such amendments as may be agreed upon from time to time by the Secretary and the Borrower under such Note, with the consent of the Holder (if required). No such change in the terms of any Note shall alter or affect the terms of the Secretary's guarantee.

Section 3.02. Redemption of Notes. If so provided in the applicable Note (subject to the provisions set forth herein and subject to the provisions set forth in such Notes), the Variable/Fixed Rate Notes may be redeemable prior to the Conversion Date in whole or in part at

the option of the Borrower. In order to redeem or prepay such a redeemable Note, the Borrower shall give notice of its intention to redeem such Note to the Secretary and the Fiscal Agent not less than fourteen calendar days prior to the date on which the Borrower intends to redeem the Note. Such notice shall specify the Principal Amount with respect to each Principal Due Date that is to be redeemed. The Fiscal Agent shall give such notice to the Holder of such Note not less than ten calendar days prior to the desired redemption date. After the Conversion Date, any Optional Redemption (as defined in the Note) of a Variable/Fixed Rate Note shall be in accordance with the terms of such Note and the Trust Agreement. The Holders of Notes will have no rights to demand prepayment or redemption of a Note.

Section 3.03. **Collection on Guarantees.** Pursuant to each Guarantee, the Secretary will unconditionally guarantee the payment of all principal and interest on the Note to which such Guarantee relates when and as due in accordance with the terms of the Notes.

Section 3.04. **Notification of Amounts Due.** The Fiscal Agent, acting as Calculation Agent, shall prepare and provide to each Borrower, with a copy to the Secretary and the Holder thereof as of the relevant Record Date, a written schedule of total interest, fees (if applicable) and any principal due on the Variable/Fixed Rate Notes of such Borrower fifteen days in advance of the related Payment Date. In addition, if the Fiscal Agent receives a notice (i) from the Secretary specifying the Conversion Date for specified Variable/Fixed Rate Notes, or (ii) from a Borrower, specifying the date of a permissible prepayment or redemption prior to the Conversion Date, then the Fiscal Agent acting as Calculation Agent shall promptly give notice (but in any event no later than two Business Days after receipt of such notice) to the Holder as of the relevant Record Date and the Secretary of the respective amounts (or its best estimate of the respective amounts if the actual amounts cannot be determined on the date of such notice) of interest, fees (if applicable)

and principal (if any), payable by the Borrowers on either (i) the Public Offering Date for all Variable/Fixed Rate Notes to be included in such public offering, or (ii) the date of such prepayment or redemption, as applicable. Thereafter the Secretary shall promptly give notice to each such Borrower of the amount (or the best estimate of such amount provided by the Fiscal Agent) of interest, fees (if applicable) and principal (if any), that such Borrower shall be required to pay on the Public Offering Date or date of such redemption. Such notice shall include written payment instructions with respect to such payment.

Section 3.05. Collection of Payments: Note Account. The Fiscal Agent shall establish and maintain a separate, non-interest bearing trust account (the "Note Account") into which the Fiscal Agent shall deposit the following:

(a) All interest payments on each Variable/Fixed Rate Note made on or before the Conversion Date of such Note, including those made by the Borrower and those made by the Secretary pursuant to a Guarantee; and

(b) All principal payments on each Variable/Fixed Rate Note made on or before the Conversion Date of such Note, including those made by the Borrower on a Principal Due Date, those made by the Borrower as a prepayment or redemption, and those made by the Secretary pursuant to a Guarantee.

(c) Any fee payments made by the Borrower on each Variable/Fixed Rate Note on or before the Conversion Date of such Note.

Guarantee Payments made by the Secretary in accordance with the terms of Section 3.06 herein shall be deposited by the Fiscal Agent in the Note Account. The moneys paid pursuant to

Section 3.05(a) and (b) above and held as part of the Note Account shall be held in trust for the benefit of the Holders of the related Notes and shall be applied by the Fiscal Agent in accordance with the provisions of Section 3.07 herein. Moneys paid pursuant to Section 3.05(c) above and held as part of the Note Account shall be held solely for the benefit of the Fiscal Agent in its individual capacity.

Section 3.06. Fiscal Agent to Act as Paving Agent and Calculation Agent. (a) The Fiscal Agent shall receive the payments due on the Variable/Fixed Rate Notes made on or before the Conversion Date of such Note and deposit such payments in the Note Account as provided in Section 3.05. Each Borrower shall make such payments directly to the Fiscal Agent by 3:00 p.m. (New York City time) on the seventh Business Day next preceding the relevant Payment Date. No later than 1:00 p.m. (New York City time) on the sixth Business Day next preceding each Payment Date, the Fiscal Agent shall determine whether all payments required to be made on such Notes have been duly received from each Borrower. If such payments have not been received, the Fiscal Agent shall notify the Secretary by a telephone call to the Director, Financial Management Division, confirmed in writing by telex or telecopy in the form attached hereto as Exhibit E, that the Secretary may be required to make a Guarantee Payment, and shall provide notice of the amount of such payment. If a payment (other than a fee payment) required to be made by a Borrower on a Note has not been duly received by the Fiscal Agent by the close of business on the third Business Day next preceding the Payment Date, then by no later than 10:00 a.m. (New York City time) on the Business Day next succeeding the relevant Payment Date, the Fiscal Agent shall notify the Secretary, by a telephone call to the Director, Financial Management Division, confirmed in writing by telex or telecopy, in the form attached hereto as Exhibit F, that the Secretary is required to make a Guarantee Payment and shall provide notice of

the amount of such payment. The Secretary shall make any required Guarantee Payment by wire transfer to the Fiscal Agent in Federal funds, for subsequent payment by the Fiscal Agent to the Holder in accordance with the terms of Section 4.01 herein. If a payment required to be made on a Note has not been duly received from either the Borrower or the Secretary by 2:30 p.m. on the second Business Day next succeeding the Payment Date, pursuant to the terms of the Borrower's Note, interest shall accrue on the amount of such payment at the variable rate in effect for such Note from the applicable Payment Date until the date of payment to the Fiscal Agent. The Secretary shall use its best efforts to obtain for the Fiscal Agent payment of any unpaid fees due from a Borrower. Any such payment shall be from the assets pledged by the Borrower to the Secretary as security for the repayment of the Notes and related costs authorized by the Secretary.

(b) The Fiscal Agent shall act also as calculation agent in respect of the Variable/Fixed Rate Notes. The Fiscal Agent shall calculate the amount of interest and principal, if any, due on each Variable/Fixed Rate Note on any Payment Date on or before the related Conversion Date at least fifteen days in advance of such Payment Date in accordance with the terms and conditions of such Variable/Fixed Rate Note. Pursuant to Section 3.04, the Fiscal Agent shall notify the Borrower, the Secretary and the Holder of the Variable/Fixed Rate Note of the applicable variable interest rates and amounts due (including any fees) with respect to the Variable/Fixed Rate Notes, determined in accordance with this Section. The determination by the Fiscal Agent of the variable interest rate for, and the calculation of the interest due on, the Variable/Fixed Rate Notes pursuant to this Section shall (in the absence of manifest error) be final and binding.

The Fiscal Agent will keep records of all determinations under this Section, including, but not limited to, a copy of the relevant page of the Wall Street Journal or similar publication or

a print-out of any Telerate Page or similar computer screen or a copy of any communications stating the applicable interest rate from the Holder that the Fiscal Agent used to calculate the applicable interest rate for any Reset Date defined in the Note, and shall permit the Secretary or any Holder of a Variable/Fixed Rate Note at any reasonable time to examine such records, and will furnish such other information in respect of the determination of the interest rate as the Secretary or any Holder of a Variable/Fixed Rate Note shall reasonably request.

Section 3.07. **Permitted Charges Against Note Account**. The Fiscal Agent shall, from time to time, withdraw funds from the Note Account for the following purposes:

(a) First, to make payments to the Holders in the amounts and in the manner provided for in Section 4.01;

(b) Second, to reimburse the Secretary for any Guarantee Payment made with respect to the Notes to which the Note Account relates, provided that such reimbursement shall be limited to amounts received on a Note by the Fiscal Agent that represent late recoveries of payments of principal and/or interest respecting such Note for which any Guarantee Payment was made; and

(c) Third, to pay any fees owed to the Fiscal Agent, provided that such payment shall be limited to amounts received by the Fiscal Agent that represent actual fees due and paid by a Borrower on its Note; and

(d) Fourth, to clear and terminate the Account pursuant to Section 8.01 (if applicable).

Section 3.08. **Fiscal Agent to Cooperate; Release of Notes**. Upon payment in full to the Holder of any Variable/Fixed Rate Note (including pursuant to the related Guarantee), the Fiscal Agent shall obtain from the Holder and release the Note to the Secretary.

Section 3.09. **Replacement Notes.** If (i) any mutilated Note is surrendered to the Fiscal Agent, or the Fiscal Agent receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Fiscal Agent such security or indemnity as may be required by it to hold it, the Borrower and the Secretary harmless, then, in the absence of notice to the Fiscal Agent that such Note has been acquired by a bona fide purchaser and upon the Holder's paying the reasonable expenses of the Fiscal Agent, the Borrower under such Note shall execute and the Fiscal Agent shall deliver, in exchange for such mutilated Note or in lieu of such destroyed, lost or stolen Note, a new Note of like date, tenor and principal amounts, as appropriate.

ARTICLE IV

PAYMENTS

Section 4.01. **Payments.** On each Payment Date that occurs on or before the Conversion Date relating to a particular Variable/Fixed Rate Note, the Fiscal Agent, as paying agent for the Borrower under such Note, shall pay to the corresponding Holder determined as of the close of business on the next preceding Record Date (other than as provided in Section 8.01 respecting the final payment) all amounts credited to the Note Account in respect of principal and interest on the related Notes as of 10:00 a.m. (New York City time) on the applicable Payment Date, other than amounts, if any, which represent late recoveries of principal and/or interest in respect of which any Guarantee Payment was made. Interest and principal payments on a Variable/Fixed Rate Note and, upon presentation and surrender of such Note at redemption in full, or at the final Principal Due Date, the Aggregate Principal Amount then outstanding, are payable (i) by mailing a check payable in New York clearing house funds to such Holder at the address of such Holder on the Note Register or (ii) at the request of the Holder, by wire transfer

to such commercial bank located in the continental United States having appropriate facilities therefor as such Holder may designate in writing to the Fiscal Agent (provided that the Holder shall have given the Fiscal Agent appropriate written wire transfer instructions not later than the Record Date with respect to such payment). Payments on Fixed Rate Notes and on Variable/Fixed Rate Notes after the Conversion Date shall be made in accordance with the Trust Agreement.

ARTICLE V

REGISTRATION OF NOTES

Section 5.01. **Registration of Transfers and Exchanges of Notes.** The Fiscal Agent shall be the registrar of the Notes for the purposes of registering the Notes and maintaining a record of any transfers and exchanges of Notes as herein provided. The Fiscal Agent shall cause to be kept at the office to be maintained in accordance with the provisions of Section 5.03 hereof, a Note Register in which it shall record for each Note, the name and address of the registered Holder, Commitment Amounts, the Principal Amounts and the Principal Due Dates thereof and such other information as may be required by this Agreement or applicable law or regulation.

Registration of transfer shall be subject to such reasonable regulations as the Fiscal Agent may prescribe. No registration of transfer or exchange of any Note may be made unless all information required to be provided by the Holder has been given as provided in the "Assignment and Transfer" portion of the form of Note. Upon surrender for registration or transfer of any Note at the office that the Fiscal Agent maintains for such purpose pursuant to Section 5.03, the Fiscal Agent shall cause the Borrower under such Note to execute and deliver in the name of the designated transferee or transferees, one or more new Notes of like Aggregate Principal Amount.

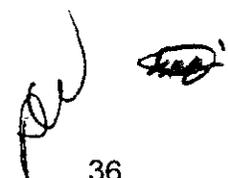
At the option of the Holder, a Note may be exchanged for Notes of like Aggregate Principal Amount, upon surrender at the office that the Fiscal Agent maintains for such purpose pursuant to Section 5.03.

Every Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer or authorization for exchange in form satisfactory to the Fiscal Agent duly executed by the Holder thereof or by its attorney duly authorized in writing.

Exchanges and transfers will be without charge to the Person presenting the Note for transfer or exchange, except that the Fiscal Agent may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of a Note.

All Notes surrendered for registration of transfer or exchange shall be cancelled by the Fiscal Agent in accordance with its standard procedures. All such cancelled Notes shall be forwarded to the Secretary by the Fiscal Agent from time to time.

Section 5.02. **Persons Deemed Holders.** Prior to due presentation of a Note for registration of transfer, the Borrower under such Note, the Secretary, the Fiscal Agent and any of their agents may treat the Person in whose name any Note is registered as the holder of such Note for the purpose of receiving payments pursuant to Section 4.01 hereof and for all other purposes whatsoever. Neither the Borrower, the Secretary, the Fiscal Agent nor any of their agents shall be affected by notice to the contrary. Notwithstanding the foregoing, the Borrower under a Variable/Fixed Rate Note, the Secretary, the Fiscal Agent and any of their agents shall, on and after the Conversion Date, treat the Trustee as the holder of such Note for the purpose of



receiving payments pursuant to Section 4.01 and for all other purposes whatsoever. Neither the Borrower, the Secretary, the Fiscal Agent nor any of their agents shall be affected by any notice to the contrary.

Section 5.03. **Maintenance of Office or Agency.** The Fiscal Agent shall maintain a designated office or agency where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Borrowers or the Fiscal Agent in respect of the Notes and this Agreement may be served. The Fiscal Agent designates its Corporate Trust Office as such office for said purposes.

ARTICLE VI

RIGHTS AND DUTIES OF BORROWERS

Section 6.01. **Compensation and Indemnification of Fiscal Agent.** (a) Pursuant to the related Contract, each Borrower under a Variable/Fixed Rate Note agrees to pay the Fiscal Agent fees as provided in this Section for the services the Fiscal Agent provides in respect of such Variable/Fixed Rate Note. Such fees shall be as set forth in Exhibit G hereof and shall be either deducted by the Fiscal Agent directly from the proceeds of any Advance in respect of a Variable/Fixed Rate Note, or included in the quarterly notification of amounts due that the Fiscal Agent provides under Section 3.04, each in accordance with Exhibit G. Each Borrower also shall pay the Fiscal Agent any additional compensation agreed to be paid to the Fiscal Agent. The Borrowers will pay all out-of-pocket expenses, including fees and disbursements of counsel incurred by the Fiscal Agent in the performance of its duties hereunder; provided, however, that (1) the Fiscal Agent shall in no event acquire any lien upon any Notes administered pursuant to this Agreement, or any moneys received with respect thereto (other than fee payments pursuant to this Section 6.01(a) and Section 3.05(c)), or any claim against the Holders of the Notes, by

reason of the failure of the Borrowers to pay any of such charges or expenses, and (2) the Borrowers shall not be required to pay any out-of-pocket expenses incurred by the Fiscal Agent to the extent that the expenses are chargeable under Section 5.01 hereof to persons requesting the transfer or exchange of Notes.

The terms of this Section 6.01 with respect to claims arising in connection with the Fiscal Agent's duties while acting as such shall survive the termination of this Agreement or the resignation or removal of the Fiscal Agent.

(b) The Secretary hereby agrees:

(1) to reimburse the Fiscal Agent upon its request for all reasonable, otherwise uncompensated out-of-pocket expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Agreement (including the reasonable compensation and expenses and disbursements of its agents, attorneys and counsel and of all persons not regularly in its employ), except any such expense, disbursement or advance that either was paid by Borrowers pursuant to Section 6.01(a), or is attributable to its gross negligence, willful misconduct or bad faith; and

(2) to indemnify the Fiscal Agent for, and to hold it harmless against, any loss, liability or expense incurred without bad faith, willful misconduct or gross negligence on its part arising out of or in connection with the acceptance or administration of this Agreement or the Notes, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Fiscal Agent shall notify the Secretary promptly of any claim for which it may seek indemnity under this Clause (2).

The Secretary shall defend the claim and the Fiscal Agent shall cooperate in the defense. The Fiscal Agent may have separate counsel with the consent of the Secretary and the Secretary will pay the reasonable fees and expenses of such counsel. The Secretary need not pay for any settlement made without its consent.

(c) The unpaid obligations of the Borrowers under Section 6.01(a) and the Secretary under Section 6.01 (b) shall be payable solely out of grants or other assets pledged by the applicable Borrowers to the Secretary as security for repayment of the Notes (and related costs authorized by the Secretary) pursuant to the applicable Contracts. The obligations of the Secretary under Section 6.01 (b) shall survive the termination or expiration of this Agreement or the resignation or removal of the Fiscal Agent.

ARTICLE VII

RIGHTS AND DUTIES OF FISCAL AGENT

Section 7.01. **Duties of Fiscal Agent.** The Fiscal Agent undertakes to perform only such duties as are specifically set forth in this Agreement. With respect to each Variable/Fixed Rate Note and the related Guarantee that are delivered to the Fiscal Agent, the Fiscal Agent shall act as paying agent and calculation agent on or prior to the Conversion Date. The Fiscal Agent shall act as registrar for all Notes for the duration of this Agreement. Except upon compliance with the provisions of Sections 2.03, 2.04, 3.08 or 3.09, none of the Notes, their related Guarantees or any other related instruments or documents shall be delivered by the Fiscal Agent to the Holders or to the Secretary, or otherwise released from the possession of the Fiscal Agent.

No provision of this Agreement shall be construed to relieve the Fiscal Agent from liability to any Borrowers or the Secretary for its bad faith, willful misconduct or gross negligence; provided, however, that:

(a) The duties and obligations of the Fiscal Agent shall be determined solely by the express provisions of this Agreement; the Fiscal Agent shall not be liable except for gross negligence or willful misconduct in the performance of such duties and obligations as are specifically set forth in this Agreement; no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent and, in the absence of bad faith on the part of the Fiscal Agent, the Fiscal Agent may rely conclusively, as to the truth and accuracy of the statements and contents and the correctness of the opinions expressed therein, upon any certificates, opinions, resolutions, statements, reports, documents, orders or other instruments furnished to the Fiscal Agent and conforming to the requirements of this Agreement;

(b) The Fiscal Agent shall not be personally liable for an error of judgment made in good faith by an Authorized Officer or Authorized Officers of the Fiscal Agent, unless it shall be proved that the Fiscal Agent was grossly negligent in ascertaining the pertinent facts; and

(c) In no event shall the Fiscal Agent be liable hereunder for special, indirect or consequential loss or damage of any kind whatsoever.

Section 7.02. Certain Matters Affecting Fiscal Agent. Except as otherwise provided in Section 7.01:

(a) The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate of an Authorized Official, certificate of auditors or any other

certificate, statement, instrument, opinion (including an oral opinion or advice of counsel), report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) The Fiscal Agent may consult with counsel who may be, but does not have to be, an employee of the Fiscal Agent and any opinion of such counsel, whether oral or written, shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such opinion of counsel, and the Fiscal Agent shall not be required to take any action in violation of law or any action that would, in its reasonable determination, expose it to any fine or penalty imposed by law;

(c) The Fiscal Agent shall not be personally liable for any action taken, suffered or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(d) The Fiscal Agent may exercise any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent, attorney or securities depository appointed with due care by it; and

(e) The Fiscal Agent shall not be obligated to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, consent, order, approval or other paper or document.

Section 7.03. **Fiscal Agent Not Liable for Notes**. The recitals contained in the Notes shall be taken as statements of each Borrower, and the Fiscal Agent assumes no responsibility for

their correctness. The Fiscal Agent makes no representation as to the validity or sufficiency of this Agreement or of any Note, guarantee or related document or any defeasance and shall not be held liable for any defect in any portion thereof. The Fiscal Agent shall not be accountable for the use or application by the Secretary or any Borrower of any of the Notes or of the proceeds of such Notes.

Section 7.04. **Eligibility Requirements for Fiscal Agent.** The Fiscal Agent hereunder shall at all times be a corporation having its principal office in the State of New York and organized and doing business under the laws of such State of the United States of America, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 and subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 7.04, the combined capital and the surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Fiscal Agent shall cease to be eligible in accordance with the provisions of this Section 7.04, the Fiscal Agent shall resign immediately in the manner and with the effect specified in Section 7.05.

Section 7.05. **Resignation and Removal of Fiscal Agent.** Subject to the further provisions of this Section 7.05, the Fiscal Agent may resign at any time and be discharged from its duties as the Fiscal Agent hereunder by giving at least sixty (60) days' prior written notice of such resignation to the Secretary and the Borrowers and specifying the date on which such resignation is to take effect, and the Fiscal Agent may be removed by the Secretary as the Fiscal Agent at any time, with or without cause, by giving at least five (5) Business Days' prior written

notice of such removal delivered to the Fiscal Agent and specifying the date on which removal is to take effect. Upon any such resignation or removal, pursuant to the terms of each Borrower's Contract, the Secretary may, without other formality than appointment and designation in writing (a copy of which written instrument shall be promptly provided to the resigning or removed Fiscal Agent), appoint a successor fiscal agent, provided that such successor fiscal agent shall be eligible under the provisions of Section 7.04. Any successor fiscal agent appointed as provided herein shall execute, acknowledge and deliver to the Secretary, the Borrowers and its predecessor fiscal agent an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor fiscal agent shall become effective and such successor fiscal agent, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as fiscal agent herein. Upon acceptance by such successor fiscal agent of its appointment hereunder or in the absence of such an appointment upon the effective date of the resignation or removal as specified in the applicable notice referred to above (or, if the notice does not so specify, the expiration of the sixty (60) or five (5) day period referred to above), the Fiscal Agent shall deliver to such successor fiscal agent or the Secretary, as the case may be: (i) all of the Notes and their related Guarantees (if then held by the Fiscal Agent) and other property relating to the Notes then in its custody; and (ii) all funds in or otherwise to the credit of the Note Account other than any funds then held pursuant to Section 3.05(c). The Fiscal Agent shall otherwise release, assign and deliver to such successor fiscal agent or the Secretary, as the case may be, against receipt by such successor fiscal agent or the Secretary, as the case may be, including without limitation, by transmitting to such successor fiscal agent or the Secretary, as the case may be, for deposit in successor accounts, established by the successor fiscal agent or

the Secretary, as the case may be, all other property relating to the Notes in its possession, and effect a transfer of such property in such manner and pursuant to such instruments as the Secretary shall reasonably request. The Fiscal Agent shall likewise deliver at such time to such successor fiscal agent or the Secretary, as the case may be, all of the Note Registers and all related records and documents in its possession. The Fiscal Agent shall not be discharged from its duties or obligations hereunder following its resignation or removal until such property has been delivered to such successor or the Secretary, as the case may be, and transferred, as provided above.

Section 7.06. **Merger or Consolidation of Fiscal Agent.** Any corporation into which the Fiscal Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be successor of the Fiscal Agent hereunder, provided such corporation shall be eligible under the provisions of Section 7.04, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 7.07. **Fiscal Agent May Own the Notes.** The Fiscal Agent in its individual or any other capacity may become owner or pledgee of the Fixed Rate Notes or the Variable/Fixed Rate Notes (after the Conversion Date) with the same rights it would have if it were not the Fiscal Agent.

Section 7.08. **Fidelity Bond or Insurance.** So long as any Note is administered hereunder, the Fiscal Agent shall at all times maintain a fidelity bond or such insurance coverage

in respect of its fiscal agent capacity hereunder as it ordinarily maintains when acting in such capacity.

Section 7.09. **Fiscal Agent Not Liable for Investments**. The Fiscal Agent shall have no liability for any loss sustained as a result of any investments made pursuant to the instructions of any of the parties hereto.

ARTICLE VIII

TERMINATION

Section 8.01. **Termination**. The respective obligations and responsibilities of the Borrowers and the Fiscal Agent created hereby with respect to any Note administered by the Fiscal Agent (other than the obligations of the Borrowers and the Fiscal Agent to make payments to Holders as hereafter set forth) shall terminate upon the final payment of the last Note administered by the Fiscal Agent at its final Principal Due Date. No notice need be given and final payment will be made from the corresponding Note Account on the next following Payment Date upon presentment and surrender of the Note at the office maintained pursuant to Section 5.03.

With respect to each Borrower, upon the final payment of principal of and interest on each Note, for which a separate Note Account has been established pursuant to Section 3.05, the Fiscal Agent shall notify the Secretary of any moneys deposited in such Note Account that have remained unclaimed by any Holder entitled to receive the same for at least two (2) years after the date upon which such final payment should have been made. The Fiscal Agent may, and upon receipt of a written request of the Secretary shall, pay over to the Secretary the unclaimed amount so deposited and the Holder shall thereafter look only to the Secretary for payment of

such unclaimed amount, and all liability of the Fiscal Agent with respect to such unclaimed amount shall thereon cease.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. **Amendment**. No amendment, modification, termination or waiver of any provision of this Agreement, nor any consent to any departure by any party from any provision hereof binding upon such party, shall be effective unless the same shall be in writing and signed by the parties hereto. No such amendments, modification, waiver or consent shall adversely affect the rights of the Holder or Holders of any Note issued in accordance with the terms of this Agreement and outstanding at the time of such amendment, modification, waiver or consent absent agreement by such Holder or Holders. The Fiscal Agent may, but shall not be obligated to, enter into any amendments that affect its rights, duties and immunities under this Agreement.

Section 9.02. **Inspection of Documents by Holders**. The Fiscal Agent shall keep a fully executed or conformed copy of this Agreement (together with all amendments, supplements, waivers and consents hereto) on file at its Corporate Trust Office, and shall permit reasonable inspection (and limited copying) to be made of this Agreement during normal business hours by any Holder or by its designee, at such Person's expense, provided that the Person purporting to be such Holder or designee establishes his identity and capacity to the Fiscal Agent's satisfaction.

Section 9.03. **Governing Law**. This Agreement and the Notes and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be

performed therein, and the obligations, rights and remedies of the parties hereunder and thereunder shall be determined in accordance with such laws.

Section 9.04. **Notices**. All demands, notices and communications hereunder and under the Exhibits hereto shall be in writing and shall be deemed to have been duly given when and if personally delivered at or mailed by registered mail, postage prepaid, (a) in the case of the Secretary, to the United States Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410, Attention: Director, Financial Management Division, Office of the Assistant Secretary for Community Planning and Development, or such other address as may hereafter be furnished to the Fiscal Agent in writing by the Secretary, and (b) in the case of the Fiscal Agent, to The Chase Manhattan Bank, 450 West 33rd Street, 8th Floor, New York, New York 10001, Attention: Structured Finance Operations, or such other address as may hereafter be furnished to the Borrowers and to the Secretary, in writing, by the Fiscal Agent. The Secretary shall provide the Fiscal Agent with Notice information for each Borrower in the related Authorization Order. The Fiscal Agent is entitled to a copy of any notice given to any Borrower or to the Secretary by any Holder. Any notice requested or permitted to be mailed to a Holder shall be given by first class mail, postage prepaid, at the address of such Holder as shown in the Note Register. Any notice so mailed within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice.

Section 9.05. **Severability of Provision**. If any one or more of the covenants, agreements, provisions, or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Agreement and shall in no way

affect the validity or enforceability of the other provisions of this Agreement or of the Notes or the rights of the Holders thereof.

Section 9.06. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Secretary and the Fiscal Agent have duly approved the terms and provisions hereof by causing the names of their respective officers duly authorized to be executed on this Agreement.

SECRETARY OF HOUSING AND URBAN
DEVELOPMENT

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Fiscal
Agent

By: *P. Kelly*
Name: *P. KELLY*
Title: *VICE PRESIDENT*

IN WITNESS WHEREOF, the Secretary and the Fiscal Agent have duly approved the terms and provisions hereof by causing the names of their respective officers duly authorized to be executed on this Agreement.

SECRETARY OF HOUSING AND URBAN
DEVELOPMENT

By: _____
Name: _____
Title: _____

THE CHASE MANHATTAN BANK, as Fiscal
Agent

By: _____
Name: _____
Title: _____

[Handwritten initials]

EXHIBIT A-1

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 108 LOAN GUARANTEE PROGRAM

[FORM OF VARIABLE/FIXED RATE NOTE (For Interim/Long-Term Financing)]

NOTE NUMBER: _____

DATE OF NOTE: _____

BORROWER: _____

PRINCIPAL DUE DATES AND PRINCIPAL AMOUNT: Before the Conversion Date, the aggregate of Advances made for each applicable Principal Due Date specified in the Commitment Schedule to this Note; on or after the Conversion Date, the Principal Amount (if any) listed for each Principal Due Date in Schedule P & I hereto.

MAXIMUM COMMITMENT AMOUNT: \$ _____

COMMITMENT AMOUNTS: See Commitment Schedule attached hereto.

VARIABLE INTEREST RATE: As set forth below.

REGISTERED HOLDER:

I. Terms Applicable Before the Conversion Date

A. Advances

For value received, the undersigned, _____ (the "Borrower", which term includes any successors and assigns), a public entity organized and existing under the laws of the State (or Commonwealth, if applicable) of _____ promises to pay to the Registered Holder (the "Holder", which term includes any successors or assigns), at the time, in the manner, and with interest at the rate or rates hereinafter provided, such amounts as may be advanced under this Note from time to time by the Holder for disbursement to, or on behalf of the Borrower (individually, an "Advance", and collectively, "Advances"). The Holder shall make Advances upon the written request of the Borrower and the approval of the Secretary of Housing and Urban Development or his designee (the "Secretary"), pursuant to the Contract for Loan Guarantee Assistance (as further defined in Section IV.A. of this Note, the "Contract"), and the Amended and Restated Master Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated as of May 17, 2000, between The Chase Manhattan Bank

(formerly known as Chemical Bank), as Fiscal Agent (the "Fiscal Agent"), and the Secretary. The total amount of Advances made for each Principal Due Date under this Note shall not exceed the applicable Commitment Amount for such Principal Due Date set forth on the Commitment Schedule attached hereto. The aggregate of all Advances under this Note for all Principal Due Dates shall not exceed the Maximum Commitment Amount specified on the attached Commitment Schedule. The Fiscal Agent shall record the date and amount of all payments and Advances on this Note and maintain the books and records of all such Advances and Commitment Amounts for each corresponding Principal Due Date, and all payments. No Advances shall be made on this Note after its Conversion Date.

As used herein, "Conversion Date" means the date (if any) upon which this Note is (i) delivered by the Holder to the Fiscal Agent against payment therefor by the purchasers selected by the Secretary to make such payment; and (ii) assigned to The Chase Manhattan Bank (or any successor thereto) acting in its capacity as Trustee (the "Trustee") pursuant to a Trust Agreement among the Secretary and the Trustee, dated as of January 1, 1995, as such agreement may be amended or supplemented (the "Trust Agreement"). Upon the occurrence of both (i) and (ii) in the previous sentence, Section III of this Note applies, thereby converting this Note to a fixed rate obligation.

B. Variable Rate of Interest

From and including the date of each Advance to but excluding the earlier of (i) the Conversion Date, and (ii) the date of redemption or prepayment of such Advance pursuant to Section I.D. below (each such date of redemption or prepayment, a "Prepayment Date") interest shall be paid quarterly at a variable interest rate (as set forth below) on the unpaid principal balance of each Advance on the first day of each February, May, August and November (each, an "Interim Payment Date"), commencing on the first Interim Payment Date after the Initial Advance is made under this Note. Interest also shall be paid on each applicable Conversion Date, Prepayment Date or Principal Due Date. The amount of interest payable on each Interim Payment Date will represent interest accrued during the three-month period ending immediately prior to such Interim Payment Date, or in the case of the first Interim Payment Date following each Advance that is not made on an Interim Payment Date, the period from and including the date of such Advance to but excluding the first Interim Payment Date following such Advance. The amount of interest payable on this Note's Conversion Date, Prepayment Date, or on any Principal Due Date that precedes such Conversion Date will represent interest accrued during the period from the last Interim Payment Date to such Conversion Date, Prepayment Date, or Principal Due Date, respectively.

The initial variable interest rate for each Advance will be set on the date of such Advance and will be equal to 20 basis points (0.2%) above the Applicable LIBO Rate (as hereinafter defined) and thereafter will be adjusted monthly on the first day of each month (each, a "Reset Date") to a variable interest rate equal to 20 basis points (0.2%) above the Applicable LIBO Rate (such interest rate, as reset from time to time, the "Standard Note Rate"). If the Conversion Date for this Note has not occurred by the March 1 following the initial Advance under this Note, then

the terms of Appendix A shall be used to set the variable interest rate. If the Fiscal Agent does not receive notice of either a Negotiated Special Interest Rate or Holder Determined Special Interest Rate (as defined in Appendix A attached hereto) from the Secretary or Holder, respectively, by the times specified in Appendix A to this Note, then the Standard Note Rate shall apply for the period to which such Negotiated Special Interest Rate or Holder Determined Special Interest Rate would otherwise apply. The Fiscal Agent may conclusively rely on any such notice as to the correctness of any matters set forth therein. Appendix A shall be inapplicable to this Note on or after the Conversion Date.

"LIBO Rate" for any given Business Day means, except in the case of manifest error, the interest rate per annum published on that day in the Eastern Edition of The Wall Street Journal or any successor publication ("WSJ"), published by Dow Jones & Company, Inc., in the section titled "Money Rates" (or any successor section) and opposite the caption "London Interbank Offered Rates (LIBOR) -- three months" (or any successor caption). If such rate does not appear in WSJ, for each interest period, the LIBO Rate shall be the interest rate, converted to a bond-equivalent yield basis, for deposits in U.S. dollars for three months which appears on Telerate Page 3750 or such other page as may replace Page 3750 on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying such rate (together, "Telerate Page 3750") as of 11:00 a.m., London time, on the day (the "Determination Date") that is two London banking days preceding the relevant Reset Date or Advance. If such rate does not appear on Telerate Page 3750 on such Determination Date, such rate shall be obtained from the Reuters Screen ISDA Page as of 11:00 a.m., London time, on such Determination Date. If, in turn, such rate does not appear on the Reuters Screen ISDA Page on such Determination Date, the offered quotation from each of four reference banks (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date for deposits in U.S. dollars to prime banks on the London interbank market for a 3-month period, commencing on the Reset Date or date of such Advance, shall be obtained. If at least two such quotations are provided, the LIBO RATE for such Reset Date or date of such Advance will be the arithmetic mean of the quotations, rounded to five decimal places. If fewer than two such quotations are provided as requested, the LIBO RATE for that Determination Date shall be the rate for the most recent day preceding such Determination Date for which the LIBO RATE shall have been displayed on Telerate Page 3750. The LIBO RATE for any interest period shall be converted to a bond-equivalent yield basis by multiplying such rate by the actual number of days in such interest period and dividing that number by 180.

"Applicable LIBO Rate" means: (1) with respect to the initial interest rate for the first Advance hereunder, the LIBO Rate two London Banking Days before the date of such first Advance; (2) with respect to the initial interest rate for any subsequent Advance made before the first Reset Date, the interest rate borne by the first Advance; (3) with respect to the initial interest rate for any subsequent Advance made after the first Reset Date, the LIBO Rate two London Banking Days before the immediately preceding Reset Date; and (4) with respect to the subsequent interest rate at any Reset Date for any Advance, the LIBO Rate two London Banking Days before such Reset Date.

"London Banking Day" means any day in which dealings in deposits in United States dollars are transacted in the London interbank market. Interest payable on or before the Conversion Date shall be calculated on the basis of a 360-day year and the actual number of days lapsed.

C. Principal Amount

Prior to the Conversion Date, the aggregate amount of Advances under this Note for each specified Principal Due Date shall be paid by the Borrower on such Principal Due Date (as assigned to such Advances by the Secretary's instructions to the Fiscal Agent in accordance with the Contract and the Fiscal Agency Agreement), unless this Note is redeemed before such Principal Due Date as provided below.

D. Redemption before Conversion Date

At any time on or before the Conversion Date, the Borrower, with the consent of the Secretary, may redeem this Note, in whole or in part, upon fourteen calendar days notice to the Fiscal Agent and the Secretary, at the purchase price of one hundred percent (100%) of the unpaid Principal Amount to be redeemed, plus accrued interest thereon to the date of redemption. Partial redemptions shall be credited against the applicable Principal Amount(s). The related Commitment Amounts and the Maximum Commitment Amount shall be adjusted concurrently with any such redemptions in accordance with the Secretary's instructions to the Fiscal Agent pursuant to the Contract and the Fiscal Agency Agreement.

II. Conversion

The following events shall occur on the Conversion Date:

A. Schedule P&I

On the Conversion Date all Advances owed by the Borrower under this Note with the same Principal Due Date shall be aggregated into a single Principal Amount that will accrue interest at the fixed rate applicable to such Principal Due Date. Such Principal Amount may be adjusted by the Fiscal Agent in accordance with the following paragraph or paragraph IV.H, as applicable. Whether or not adjusted, the fixed rate applicable to each Principal Amount, together with the applicable Principal Due Date each shall be listed by the Secretary in Schedule P&I. Schedule P&I will be provided by the Secretary to the Fiscal Agent and attached to this Note by the Fiscal Agent upon the Fiscal Agent's receipt of this Note on the Conversion Date.

B. Conversion Date Advances

If, on or prior to the Conversion Date, the Borrower has not utilized the entire Commitment Amount indicated on the Commitment Schedule attached hereto for a given Principal Due Date, the Borrower may, in accordance with the Fiscal Agency Agreement and the Contract, and with the approval of the Secretary, utilize such Commitment Amount on the

Conversion Date to obtain a Conversion Date Advance. A "Conversion Date Advance" shall mean any amount by which the Secretary instructs the Fiscal Agent to increase a Principal Amount on Schedule P&I for a given Principal Due Date, effective as of the Conversion Date of this Note. Conversion Date Advances shall be funded by the sale of this Note to the purchaser selected by the Secretary. The proceeds of a Conversion Date Advance (net of any applicable fees) shall be distributed to or on behalf of the Borrower on the Conversion Date. The total amount of Conversion Date Advances shall not exceed the amount of any unused Commitment Amounts for any Principal Due Date.

III. Terms Applicable Upon Conversion

The following terms shall apply to this Note from the Conversion Date (if any) until this Note is cancelled, or matured and paid in full:

Commencing on the Conversion Date, the Borrower promises to pay to the Holder on the applicable Principal Due Date each Principal Amount set forth on the attached Schedule P&I, together with interest on each such Principal Amount at the rate applicable thereto specified on the Schedule P&I. Interest shall be calculated and payments shall be made in the manner set forth below.

Interest on each scheduled Principal Amount of this Note due as of a given date specified on Schedule P&I hereto shall accrue at the related per annum rate specified on Schedule P&I from (and including) the Conversion Date to (but excluding) such Principal Due Date or, if applicable, to the applicable Interest Due Date on which an Optional Redemption (as defined below) occurs. Each interest amount accrued on each unpaid Principal Amount of this Note shall be due semiannually as of February 1 and August 1 of each year (each such February 1 and August 1, an "Interest Due Date") commencing on the first such date after the Conversion Date, until each Principal Amount listed on Schedule P&I to this Note is paid in full. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Certain Principal Amounts that are indicated as being eligible for Optional Redemption on Schedule P&I may be paid, in whole or in part, at the option of the Borrower as of any Interest Due Date after the date specified in such schedule (an "Optional Redemption"). In order to elect an Optional Redemption of a prepayable Principal Amount, the Borrower shall give notice of its intention to prepay a Principal Amount to the Trustee and the Secretary not less than 60 days nor more than 90 days prior to the Interest Due Date as of which the Borrower intends to prepay the Principal Amount. The Trustee shall apply any payments received in respect of Optional Redemptions in accordance with written instructions of the Borrower, as approved by the Secretary. Principal Amounts that are not indicated as being eligible for Optional Redemption on Schedule P&I may not be prepaid.

IV. General TermsA. Additional Definitions

For purposes of this Note, the following terms shall be defined as follows:

"Business Day" shall mean a day on which banking institutions in New York City are not required or authorized to remain closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed. If any payment (including a payment by the Secretary) is required to be made on a day that is not a Business Day, then payment shall be made on the next Business Day.

"Contract" shall mean the Contract for Loan Guarantee Assistance, and any amendments thereto, between the Secretary and the Borrower, the designated public entity named therein (if applicable), or the State named therein (if applicable), which refers to and incorporates this Note by the number hereof.

"Principal Amount" shall mean: (i) before the Conversion Date for this Note, the aggregate amount of Advances made for each Principal Due Date specified in the Commitment Schedule attached to this Note, less the amount of any redemptions pursuant to Section I.D. hereof, and any principal repayment; and (ii) on or after the Conversion Date, the principal amount (if any) stated for each Principal Due Date in Schedule P&I attached hereto, less the amount of any principal repayment and any Optional Redemptions made pursuant to Section III hereof and the Trust Agreement.

B. Timely Payment to Fiscal Agent or Trustee

Notwithstanding anything contained in Section I, Section II, or Section III, the Borrower, in accordance with the Contract, shall be required to make all payments of interest and principal, including any Optional Redemption payment, directly to the Fiscal Agent or the Trustee (as applicable) on the seventh Business Day prior to the appropriate Interim Payment Date, Interest Due Date, Principal Due Date, Prepayment Date, or date of Optional Redemption, as applicable.

C. Interest on Late Payments

If a payment of principal or interest herein provided for shall not be made by either (i) 2:30 p.m. on an Interest Due Date or Principal Due Date; or (ii) 2:30 p.m. on the second Business Day (as herein defined) next succeeding an Interim Payment Date, then interest shall accrue on the amount of such payment at the then applicable interest rate or rates payable on this Note, from the relevant due date, as the case may be, until the date such payment is made. Nothing in the immediately preceding sentence shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

D. Applicability of Fiscal Agency Agreement or Trust Agreement

Prior to the Conversion Date, this Note and Advances and payments made hereunder shall be administered pursuant to the terms of the Fiscal Agency Agreement and are subject to such agreement. On or after the Conversion Date, this Note and Advances and payments made hereunder shall be administered pursuant to the Trust Agreement and are subject to such agreement. The terms and provisions of the Fiscal Agency Agreement or the Trust Agreement, insofar as they affect the rights, duties and obligations of the Holder and/or the Borrower, are hereby incorporated herein and form a part of this Note. The Borrower hereby agrees to be bound by all obligations of the Borrower to the Fiscal Agent set forth in the Fiscal Agency Agreement. Capitalized terms not defined in this Note shall have the meanings ascribed to them in the Fiscal Agency Agreement or Trust Agreement, as applicable. The Fiscal Agency Agreement provides for the Fiscal Agent to perform certain duties, including the duties of (i) paying agent and calculation agent for this Note until its Conversion Date, and (ii) registrar for this Note until this Note is cancelled or a new registrar appointed, each in accordance with the Fiscal Agency Agreement. The Trust Agreement provides for the Trustee to perform certain duties, including the duties of collection agent for this Note after its Conversion Date until a new Trustee is appointed in accordance with the Trust Agreement. This Note may be surrendered to the Fiscal Agent for registration of transfer or exchange, as provided in the Fiscal Agency Agreement. The Fiscal Agent and Trustee each shall permit reasonable inspection to be made of a copy of the Fiscal Agency Agreement or Trust Agreement kept on file at its respective corporate trust office. Neither the Fiscal Agency Agreement nor the Trust Agreement shall change the Borrower's payment obligations under this Note.

E. Applicability of Contract and Secretary's Guarantee

This Note evidences indebtedness incurred pursuant to and in accordance with the Contract and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. § 5308) (the "HCD Act"). This Note is subject to the terms and provisions of the Contract, to which Contract reference is hereby made for a statement of said terms and provisions and for a description of the collateral security for this Note. The payment of principal on the applicable Principal Due Dates and interest on the applicable Interim Payment Dates or Interest Due Dates under this Note is unconditionally guaranteed by the Secretary to the Holder through a guarantee (the "Guarantee"). Execution of the Secretary's Guarantee is required before this Note is effective, and such Guarantee shall be issued pursuant to and in accordance with the terms of the Contract and Section 108 of the HCD Act.

F. Default

A default under this Note shall occur upon failure by the Borrower to pay principal or interest on this Note when due hereunder. If a Borrower defaults on the payment of any interest or Principal Amounts when due, or if the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph of this Section IV.F., the Secretary may, but is not obligated to, make on any date on or prior to the Conversion Date with fourteen calendar days prior notice to the Fiscal Agent, or on the seventh Business Day preceding any

Interest Due Date on or after the first permissible Optional Redemption Date with seven Business Days prior notice to the Trustee, an acceleration payment to the Fiscal Agent or the Trustee, as applicable, equal to the Aggregate Principal Amount of the Note, together with accrued and unpaid interest thereon to such acceleration payment date or Interest Due Date, as applicable. In the event that any such acceleration payment is made from sources other than funds pledged by the Borrower as security under the Contract (or other Borrower funds), the amounts paid on behalf of the Borrower shall be deemed to be immediately due and payable to the Secretary. Nothing in this paragraph shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

In addition, the Secretary may declare the Borrower in default under this Note if the Secretary makes a final decision in accordance with the provisions of 24 C.F.R. § 570.913 (or any successor regulation thereof), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with Title I of the HCD Act. Following the giving of such reasonable notice, the Secretary may take the remedial actions specified as available in the relevant provisions of the Contract pending the Secretary's final decision.

G. Holder's Reliance on Guarantee

Following a default by the Borrower under the terms of this Note, the Holder agrees to rely wholly and exclusively for repayment of this Note upon the Guarantee. The enforcement of any instruments or agreements securing or otherwise related to this Note shall be the sole responsibility of the Secretary, and the Holder shall not be responsible for the preparation, contents or administration of such instruments and agreements, or for any actions taken in connection with such instruments and agreement. The Holder, to the extent it is legally able to do so, shall bind or cause to be bound its successors and assigns to all limitations imposed upon the Holder by this Note.

H. Amendment

This Note may only be amended with the prior written consent of the Secretary and the Borrower. No such amendment shall reduce, without the prior written consent of the Holder of this Note, in any manner the amount of, or delay the timing of, payments required to be received on this Note by the Holder, Fiscal Agent or Trustee, including Guarantee Payments; provided that prior to the Conversion Date, the Commitment Amounts on the Commitment Schedule attached hereto, and the Principal Amounts due on the corresponding Principal Due Dates may be rescheduled pursuant to written instructions given to the Fiscal Agent by the Secretary with the written agreement of the Borrower and the Secretary absent the consent of the Holder.

I. Waivers

The Borrower hereby waives any requirement for presentment, protest or other demand or notice with respect to this Note. The Borrower hereby waives notice of default and opportunity for hearing for any failure to make a payment when due.

J. Delivery and Effective Date

This Note is deemed issued, executed, and delivered on behalf of the Borrower by its authorized official as an obligation guaranteed by the Secretary pursuant to Section 108 of the HCD Act, effective as of the date of the Secretary's Guarantee.

V. Borrower-Specific Provisions

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ASSIGNMENT AND TRANSFER

For value received, the undersigned assigns and transfers this Note to

(Name and Address of Assignee)

(Social Security or Other Identifying Number of Assignee)

and irrevocably appoints _____
attorney-in-fact to transfer it on the books kept for registration of the Note, with full power of
substitution.

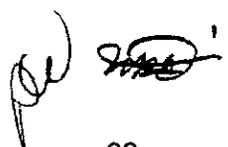
Dated: _____

Note: The signature to this
assignment must correspond with the
name as written on the face of the
Note without alteration or
enlargement or other change.

Signature Guaranteed:

Qualified Financial Institution

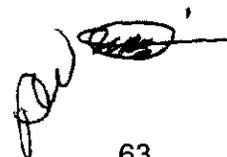
By: _____
Authorized Signature



APPENDIX A

Special Pre-Conversion Interest Rates.

- (a) The Holder and the Secretary contemplate that the majority of the outstanding Variable/Fixed Rate Notes will be purchased by underwriters selected by the Secretary for sale in public offerings to occur each year. If a public offering including this Note has not occurred by each March 1 following the initial Advance under this Note, the Secretary shall, upon request, advise the Holder as to when a public offering including this Note is expected to occur, and the Holder and the Secretary agree to consult with each other as to what the interest rate on this Note will be after May 1 of that year if a public offering has not occurred by such May 1. The Holder shall notify the Secretary if such consultation has not occurred by April 1 of that year. If no public offering including this Note has occurred on or before such May 1, the applicable interest rate on this Note from such May 1 shall be the rate (if any) negotiated and agreed upon by the Secretary and the Holder. Such rate may be the Standard Note Rate or some other rate agreed upon by the Holder and the Secretary at least two Business Days before such May 1 (such other rate, the "Negotiated Special Interest Rate"). The Secretary shall notify the Fiscal Agent and the Holder in writing of any Negotiated Special Interest Rate within two Business Days of the determination thereof.
- (b) If the Secretary and the Holder do not, by the April 15th preceding such May 1, negotiate and agree under Section (a) of this Appendix on an interest rate applicable to this Note, then the Holder may, on or before the April 20th preceding such May 1, give written notice to the Secretary of its intent to change the interest rate on this Note and, if such notice was given during such period, the Holder may, on such May 1, unilaterally determine (subject to the terms of this paragraph) the interest rate that this Note will bear (such rate, the "Holder Determined Interest Rate") from and including such May 1 to but excluding the earliest of: (i) the Conversion Date; (ii) the date that this Note is purchased by a new Holder (as described in Section (c) below) or (iii) a Monthly Special Reset Date (as defined below). Interest from and including such May 1 to but excluding the Public Offering Date shall be paid on the unpaid principal balance of all outstanding Advances under this Note at the rate(s) to be determined by the Holder, which, based upon then prevailing market conditions and taking into account all the circumstances, will enable the Holder to sell this Note at one hundred percent (100%) of the aggregate amount of all Advances hereunder prior to the date of such sale. Such interest rate shall be determined as of such May 1 and shall be determined again on the foregoing basis on the first of each month thereafter (the first of each month after such May 1, a "Monthly Special Reset Date"). The Holder shall notify the Fiscal Agent and the Secretary in writing within two Business Days following such dates of the determination of the Holder



Determined Interest Rate and each applicable interest rate determined on a Monthly Special Reset Date.

- (c) If the Secretary and the Holder have failed to agree upon an interest rate pursuant to Section (a) of this Appendix A, the Secretary, upon seven calendar days notice to the Holder, may arrange for the purchase of this Note in full by another entity on the following May 1 or any Business Day thereafter. If such a purchase occurs, the Holder shall sell and assign this Note to the purchaser thereof without recourse to the Holder and deliver this Note and its Guarantee to the Fiscal Agent for registration in the name of the purchaser thereof in accordance with the Secretary's written instructions. The purchase price for this Note shall be 100% of the aggregate amount of all Advances owing hereunder plus accrued interest to the date of purchase. Payment to the Holder of the purchase price for this Note shall be made by the purchaser thereof in Federal funds at the offices of the Holder, or at such other place as shall be agreed upon by the Holder and the Secretary, at 10:00 a.m., New York time, on the date of purchase. After such purchase date this Note shall bear a rate of interest negotiated between the Secretary and the new interim Holder (the "New Purchaser Special Interest Rate"). The Secretary shall notify the Fiscal Agent and the new purchaser in writing of any New Purchaser Special Interest Rate within two Business Days following the date of determination thereof.
- (d) Notwithstanding Sections (a) through (c) (inclusive) of this Appendix, no Borrower is obligated to pay interest at a variable rate exceeding the maximum rate permitted by generally applicable law of the Borrower's state (such rate, the "Maximum Rate"). If the Borrower receives notice of a variable interest payment that exceeds the Maximum Rate, then the Borrower shall timely pay such amount as does not exceed the Maximum Rate, and concurrently shall notify the Secretary and the Fiscal Agent of the reason for any interest non-payment.

COMMITMENT SCHEDULE

Note No. _____

Principal Due Date	Commitment Amount
August 1, 2000	\$[[]]
August 1, 2001	[[]]
August 1, 2002	[[]]
August 1, 2003	[[]]
August 1, 2004	[[]]
August 1, 2005	[[]]
August 1, 2006	[[]]
August 1, 2007	[[]]
August 1, 2008	[[]]
August 1, 2009	[[]]
August 1, 2010	[[]]
August 1, 2011	[[]]
August 1, 2012	[[]]
August 1, 2013	[[]]
August 1, 2014	[[]]
August 1, 2015	[[]]
August 1, 2016	[[]]
August 1, 2017	[[]]
August 1, 2018	[[]]
August 1, 2019	<u>\$[[]]</u>

Maximum Commitment Amount = [[]]

[Handwritten signature]
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SCHEDULE P&I

Note No. _____

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
\$	August 1, 2000			X
	August 1, 2001			X
	August 1, 2002			X
	August 1, 2003			X
	August 1, 2004			X
	August 1, 2005			X
	August 1, 2006			X
	August 1, 2007			X
	August 1, 2008			X
	August 1, 2009			X
	August 1, 2010			X
	August 1, 2011			X
	August 1, 2012			X
	August 1, 2013			X
	August 1, 2014			X
	August 1, 2015			X
	August 1, 2016			X
	August 1, 2017			X
	August 1, 2018			X
	August 1, 2019			X
_____ = Aggregate Principal Amount				

Principal Amounts for which Optional Redemption is available may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after [], 20[].

[Handwritten signature]
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EXHIBIT A-2

[FORM OF FIXED RATE NOTE (IF NO INTERIM FINANCING USED)]

BORROWER:

NOTE NO.

REGISTERED

DATE:

HOLDER: THE CHASE MANHATTAN BANK

AGGREGATE PRINCIPAL
AMOUNT : \$

For value received, the undersigned, _____ (the "Borrower," which term includes any successors or assigns), a public entity or agency organized and existing under the laws of the State (or Commonwealth, if applicable) of _____, promises to pay to the order of THE CHASE MANHATTAN BANK, as Registered Holder (the "Holder," which term includes any successors or assigns), the Principal Amounts set forth on the attached Schedule P&I as of each applicable Principal Due Date set forth therein, together with interest on such unpaid Principal Amounts at the rates applicable thereto as specified on such attached Schedule P&I. Interest shall be calculated and payments shall be made in the manner set forth below. The Holder is acting hereunder on behalf of a trust (the "Trust") created pursuant to a Trust Agreement by and between the Secretary of Housing and Urban Development (the "Secretary") and The Chase Manhattan Bank, as trustee (the "Trustee"), dated as of January 1, 1995, as amended (the "Trust Agreement"), as supplemented by the applicable Supplement to the Trust Agreement, by and between the Secretary and the Trustee.

A. Principal and Interest

Interest on a Principal Amount of this Note that is due as of a given date specified on the Schedule P&I attached hereto (such date, the "Principal Due Date" for such Principal Amount) shall accrue at the per annum rate specified on such Schedule P&I from (and including) the date hereof to (but excluding) such Principal Due Date or, if applicable, to the applicable Interest Due Date on which an Optional Redemption (as defined below) occurs. The aggregate of the interest amounts accrued on the entire unpaid Principal Amount of this Note shall be due semiannually as of February 1 and August 1 of each year (each, an "Interest Due Date") commencing on [February/August] 1, [____], until the Aggregate Principal Amount listed on the Schedule P&I attached to this Note is paid in full. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.



B. Optional Redemption

Certain Principal Amounts indicated as being eligible for Optional Redemption on the Schedule P&I hereto may be paid, in whole or in part, at the option of the Borrower as of any Interest Due Date on or after the date specified in such Schedule (an "Optional Redemption"). In order to elect an Optional Redemption of a redeemable Principal Amount, the Borrower shall give notice of its intention to redeem a Principal Amount to the Trustee and the Secretary not less than 60 days nor more than 90 days prior to the Interest Due Date as of which the Borrower intends to redeem the Principal Amount. The Trustee shall apply any payments received in respect of Optional Redemptions in accordance with written instructions of the Borrower, as approved by the Secretary. Principal Amounts that are not indicated as being eligible for Optional Redemption on such Schedule may not be prepaid.

C. Additional Definitions

For purposes of this Note, the following terms shall be defined as follows:

"Business Day" shall mean a day on which banking institutions in New York City are not required or authorized to remain closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed. If any payment (including a payment by the Secretary) is required to be made on a day that is not a Business Day, then payment shall be made on the next Business Day.

"Contract" shall mean the Contract for Loan Guarantee Assistance, and any amendments thereto, between the Secretary and the Borrower, the designated public entity named therein (if applicable), or the State named therein (if applicable), which refers to and incorporates this Note by the number hereof.

D. Borrower's Timely Payment to Trustee

Notwithstanding anything contained in this Note, the Borrower, in accordance with the Contract, shall be required to make all payments of interest and principal, including any Optional Redemption payment, directly to the Trustee on the seventh Business Day prior to the appropriate Interest Due Date, Principal Due Date or date of Optional Redemption, as applicable.

E. Interest on Late Payments

If a payment of principal or interest herein provided for has not been duly received by the Holder from either the Borrower or the Secretary by the close of business on the applicable Interest Due Date or Principal Due Date, interest shall accrue on the amount of such payment at the applicable interest rate or rates payable on this Note, from the relevant due date until the date such payment is made. Nothing in the immediately preceding sentence shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

F. Applicability of Fiscal Agency Agreement and Trust Agreement

This Note and payments made hereunder shall be administered pursuant to the terms of the Trust Agreement and are subject to such agreement. The terms and provisions of the Trust Agreement, insofar as they affect the rights, duties and obligations of the Holder and/or the Borrower, are hereby incorporated herein and form a part of this Note. Capitalized terms not defined in this Note shall have the meanings ascribed to them in Trust Agreement. The Amended and Restated Master Fiscal Agency Agreement dated as of May 17, 2000 between the Secretary and The Chase Manhattan Bank, as Fiscal Agent (the "Fiscal Agency Agreement") provides for The Chase Manhattan Bank, acting as Fiscal Agent to perform certain duties, including the duties of registrar for this Note until this Note is cancelled or a new registrar appointed in accordance with the Fiscal Agency Agreement. The Trust Agreement provides for the Trustee to perform certain duties, including the duties of paying agent and collection agent for this Note until a new Trustee is appointed in accordance with the Trust Agreement. This Note may be surrendered to the Fiscal Agent for registration of transfer or exchange, as provided in the Fiscal Agency Agreement. The Fiscal Agent and the Trustee shall permit reasonable inspection to be made of a copy of the Fiscal Agency Agreement or Trust Agreement kept on file at its corporate trust office. Neither the Fiscal Agency Agreement nor the Trust Agreement shall change the Borrower's payment obligations under this Note.

G. Applicability of Contract and Secretary's Guarantee

This Note evidences indebtedness incurred pursuant to and in accordance with the Contract and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. § 5308) (the "HCD Act"). This Note is subject to the terms and provisions of the Contract, to which Contract reference is hereby made for a statement of said terms and provisions and for a description of the collateral security for this Note. The payment of principal on the applicable Principal Due Dates and interest on the applicable Interest Due Dates under this Note is unconditionally guaranteed by the Secretary to the Holder through a guarantee (the "Guarantee"). Execution of the Secretary's Guarantee is required before this Note is effective, and such Guarantee shall be issued pursuant to and in accordance with the terms of the Contract and Section 108 of the HCD Act.

H. Default

A default under this Note shall occur upon failure by the Borrower to pay principal or interest on this Note when due to the Trustee hereunder. If a Borrower defaults on the payment of any interest or Principal Amount when due, or if the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph, the Secretary may, but is not obligated to, make on the seventh Business Day preceding any Interest Due Date on or after the first permissible Optional Redemption Date, with seven Business Days prior notice to the Trustee an acceleration payment to the Trustee equal to the Aggregate Principal Amount of the Note, together with accrued and unpaid interest thereon to such Interest Due Date. In the event that any such acceleration payment is made from sources other than funds pledged by the Borrower as security under the Contract (or other Borrower funds), the amounts paid on behalf of the Borrower shall be deemed to be immediately due and payable to the Secretary. Nothing in this paragraph shall be construed as permitting or implying that the Borrower may, without the

written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

In addition, the Secretary may declare the Borrower in default under this Note if the Secretary makes a final decision in accordance with the provisions of 24 C.F.R. § 570.913 (or any successor regulation thereof), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with Title I of the HCD Act. Following the giving of such reasonable notice, the Secretary may take the remedial actions specified as available in the relevant provisions of the Contract pending the Secretary's final decision.

I. Holder's Reliance on Guarantee

Following a default by the Borrower under the terms of this Note, the Holder agrees to rely wholly and exclusively for repayment of this Note upon the Guarantee. The enforcement of any instruments or agreements securing or otherwise related to this Note shall be the sole responsibility of the Secretary, and the Holder shall not be responsible for the preparation, contents or administration of such instruments and agreements, or for any actions taken in connection with such instruments and agreement. The Holder, to the extent it is legally able to do so, shall bind or cause to be bound its successors and assigns to all limitations imposed upon the Holder by this Note.

J. Amendment

This Note may only be amended with the prior written consent of the Secretary and the Borrower. No such amendment shall reduce, without the prior written consent of the Holder of this Note, in any manner the amount of, or delay the timing of, payments required to be received on this Note by the Holder or Trustee, including Guarantee Payments.

K. Waivers

The Borrower hereby waives any requirement for presentment, protest or other demand or notice with respect to this Note. The Borrower hereby waives notice of default and opportunity for hearing for any failure to make a payment when due.

L. Delivery and Effective Date

This Note is deemed issued, executed, and delivered on behalf of the Borrower by its authorized official as an obligation guaranteed by the Secretary pursuant to Section 108 of the HCD Act, effective as of the date of the Secretary's Guarantee.

M. Borrower Specific Provisions

[This space intentionally left blank]

[Signature page follows]

Handwritten signature and initials in the bottom right corner of the page.

IN WITNESS WHEREOF, the undersigned, as an authorized official of the Borrower, has executed and delivered this Note.

BORROWER

By: _____
(Signature)

(Name)

(Title)

ATTEST: _____
(Signature)

(Name)

(Title)


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SCHEDULE P&I

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
\$	August 1, 2000			X
	August 1, 2001			X
	August 1, 2002			X
	August 1, 2003			X
	August 1, 2004			X
	August 1, 2005			X
	August 1, 2006			X
	August 1, 2007			X
	August 1, 2008			X
	August 1, 2009			X
	August 1, 2010		X	
	August 1, 2011		X	
	August 1, 2012		X	
	August 1, 2013		X	
	August 1, 2014		X	
	August 1, 2015		X	
	August 1, 2016		X	
	August 1, 2017		X	
	August 1, 2018		X	
	August 1, 2019		X	

Aggregate
Principal
Amount of Note: \$

Principal Amounts for which Optional Redemption is available may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after [], 20[].

[Handwritten Signature]
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EXHIBIT B

[FORM OF GUARANTEE]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

GUARANTEE OF THE SECRETARY OF HOUSING
AND URBAN DEVELOPMENT

NOTE NUMBER: _____
BORROWER: _____
DATE OF NOTE: _____
MAXIMUM COMMITMENT AMOUNT: \$ _____

Guarantee issued pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended.

TO: HOLDER (as defined in the above-referenced Note)

The Secretary of Housing and Urban Development, pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, but not personally, hereby unconditionally guarantees to the holder of the attached Note (as described above), and pledges to such holder the full faith and credit of the United States of America for, the payment of the principal and interest when and as due on such Note in accordance with its terms. The Secretary waives any requirement for presentment, protest, or other demand or notice with respect to such Note.

The validity of this Guarantee is incontestable in the hands of any holder of such Note.

IN WITNESS WHEREOF, the Secretary of Housing and Urban Development or his duly authorized representative has signed this Guarantee.

Secretary of Housing and Urban Development

By: _____

Date

EXHIBIT C

[FORM OF AUTHORIZATION ORDER]

_____, 20__

The Chase Manhattan Bank (formerly known as Chemical Bank), as
Fiscal Agent under the
Agreement referred to below
450 West 33rd Street
8th Floor
New York, New York 10001

Attention: Structured Finance Operations Department

Dear Sirs:

The following information is being furnished to you pursuant to Sections 2.03 and 2.04 [(a) or (c), as applicable] of the Amended and Restated Master Fiscal Agency Agreement ("Agreement") dated as of May 17, 2000 providing for the issue of U.S. Government Guaranteed Notes. Capitalized terms used herein and not otherwise defined herein have the same meanings as in the Agreement.

[The following information must be provided regarding each Note to be (i) registered in the name of and delivered to the initial Holder pursuant to Section 2.04(a) of the Agreement or (ii) delivered to the Trustee after attachment of a Schedule P&I pursuant to Section 2.04(c) of the Agreement:

(a) Variable/Fixed Rate Note _____ Fixed Rate Note _____

(b) Note Number: _____

(c) Borrower:
Name:
Address:
Attn:

(d) Name and address of initial Holder

(e)	<u>Principal Due Date</u>	<u>Principal Amount</u>	<u>Commitment Amount</u>	<u>[Initial Advance Amount]</u>
-----	---------------------------	-------------------------	--------------------------	---------------------------------

[Attach either (1) copy of Note; or (2) Schedule P&I, as applicable.]

- (f) Disbursement Date and Disbursement Instructions for initial Advance:
- (g) [State whether the Notes and their related Guarantee are to be held physically by the Fiscal Agent or transferred to Holder and the date such delivery or transfer is to occur.]
- (h) [State whether the Notes are subject to redemption or acceleration prior to their Principal Due Dates indicated above and if so, the terms and conditions relating to any redemption or acceleration].
- (i) [Additional directions, such as identification of Schedules for each Note that may be replaced with substitute pages enclosed herewith.]
- (j) [Such other matters as the Secretary and the Fiscal Agent may agree including additional payment instructions, *i.e.*, instructions to the Fiscal Agent regarding disbursement of amounts advanced or received under the Notes] and application of funds received by the Secretary from the Borrower.]

You are hereby instructed [to deliver such Notes to their initial Holder against payment of the initial Advance Amount on the date of the initial Advance authorized hereunder.] [to attach the related Schedule P&I to such Notes and deliver them to the Trustee] [BRACKETED LANGUAGE MAY BE INCLUDED AS APPLICABLE.]

Very truly yours,

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: _____
 Name: _____
 Title: _____

Handwritten signature and initials in the bottom right corner of the page.

EXHIBIT D

[FORM OF ADVANCE ORDER]

The Chase Manhattan Bank
as Fiscal Agent
450 West 33rd Street
8th Floor
New York, New York 10001

Attention: Structured Finance Operations Department

Re: Advance Order
Variable/Fixed Rate Note No. _____
[Name of Borrower]

To Whom It May Concern:

The following information is being furnished pursuant to Section 2.04(b) of the Amended and Restated Master Fiscal Agency Agreement ("Agreement") dated as of May 17, 2000. Capitalized Terms used herein, but not defined, shall have the meanings ascribed to them in the Agreement. The Borrower has requested, and the Secretary approved, an Advance under the above-referenced Variable/Fixed Rate Note. You are hereby instructed that the following Advance[s] have been authorized for such Note:

Advance Amount:

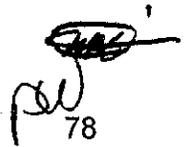
Principal Due Date(s) for Advance:

Funding Date of Advance:

Disbursement Instructions for Advance:

[Such other information as the Secretary and the Fiscal Agent may agree.]

You are hereby instructed to notify the Holder of the above-referenced Note of the above information. Upon receipt of funds from the Holder on the date of the Advance, you must, in


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accordance with Section 2.04(d) and (e) of the Agreement: (i) disburse such Advance to the Borrower; and (ii) update your records to reflect the above Advance.

Very truly yours,

**SECRETARY OF HOUSING AND URBAN
DEVELOPMENT**

By: _____
Name: _____
Title: _____

[FORM OF NOTICE OF MISSED BORROWER PAYMENT FROM FISCAL AGENT TO SECRETARY]

Secretary
United States Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Attention: Director, Financial Management Division, Office of the Assistant Secretary for Community Planning and Development

Re: Amended and Restated Master Fiscal Agency Agreement dated as of May 17, 2000 (the "Agreement")

Dear Sir or Madam:

We are furnishing this notice to you pursuant to Section 3.06 of the above-referenced Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Agreement.

This letter confirms our earlier telephone notice to you that we have not received the payment required to be made on the Note of [insert Borrower name], Note No. [insert Note No.], with Principal Due Date[s] of [August] 1, [insert Date], in the amount of \$ [insert Amount]. Such amount represents [principal] [interest] [fees] on such Note.

We agree to notify you no later than 10:00 a.m. (New York City time) on [insert Business Day next succeeding the relevant Payment Date] if we have not received such payment by the close of business on [insert relevant Payment Date].

Very truly yours,

THE CHASE MANHATTAN BANK, (formerly known as Chemical Bank) as Fiscal Agent under the Agreement

By: Name: Title:

Handwritten initials and signature

EXHIBIT F

[FORM OF NOTICE FOR GUARANTEE PAYMENT
FROM FISCAL AGENT TO SECRETARY]

Secretary
United States Department
of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Attention: Director, Financial Management Division
Office of the Assistant Secretary for
Community Planning and Development

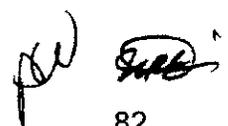
Re: Amended and Restated
Master Fiscal Agency Agreement,
dated as of May 17, 2000 (the "Agreement")

Dear Sir or Madam:

We are furnishing this notice to you pursuant to Section 3.06 of the above-referenced Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Agreement.

This letter confirms our previous telephone notice to you that we have not received the payment required to be made on the Note of _____ [insert Borrower name], Note No. _____, with Principal Due Date[s] of [August] 1, _____, in the amount of \$ _____. Our letter, dated _____, _____ to you notified you that we had not received such payment as of such date.

We are writing this letter to inform you that you are required pursuant to your Guarantee of such Note to make a Guarantee Payment in the amount on \$ _____ in respect of the above-mentioned Note. Payment should be made by wire transfer to us in immediately available funds to:



[Insert wire instructions here.]

Very truly yours,

THE CHASE MANHATTAN BANK,
as Fiscal Agent
under the Agreement

By: _____
Name: _____
Title: _____

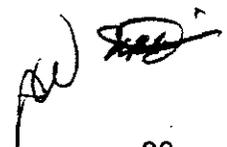
A handwritten signature in black ink, appearing to be 'AW' followed by a stylized name, possibly 'S. ...'.

EXHIBIT G

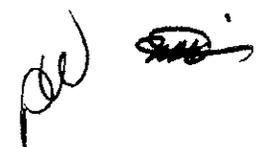
SCHEDULE OF FISCAL AGENT FEES
FOR VARIABLE/FIXED RATE NOTES SERVICES

Each Borrower shall pay a fee to the Fiscal Agent of **\$70.00 per Advance**, broken down as follows:

- \$15** – custodial/fiscal agency services
- \$25** – wire fee
- \$30** – paying agency services

The Fiscal Agent shall deduct such fees from each Advance due to each Borrower at the time the Fiscal Agent remits the related Advance proceeds.

In addition, Borrowers with Variable/Fixed Rate Notes remaining in variable rate mode after any public offering of certificates of participation pursuant to the Trust Agreement shall pay an Administration Fee of **\$100 per quarter**. The Fiscal Agent shall include each such quarterly Administration Fee as a line item in the related quarterly notification of amounts due under Section 3.04 of this Agreement. Each quarterly Administration Fee is due from the Borrower to the Fiscal Agent at the same time as the Borrower's quarterly interest payment to the Fiscal Agent. If unpaid when due, the quarterly Administrative Fee may be deducted by the Fiscal Agent from any subsequent Advance or Conversion Date Advance made to the related Borrower.



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Execution

TRUST AGREEMENT

by and between

THE SECRETARY OF THE UNITED STATES DEPARTMENT
OF HOUSING AND URBAN DEVELOPMENT,
as sponsor of a Trust

and

CHEMICAL BANK,
as Trustee

Dated as of January 1, 1995

[Handwritten signature]
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TRUST AGREEMENT

This TRUST AGREEMENT is made and entered into as of this 1st day of January, 1995, by and between the SECRETARY OF THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (the "Secretary"), as sponsor of a Trust (as defined herein) created on behalf of units of general local government and public agencies designated by such units of general local government (the "Borrowers"), and CHEMICAL BANK, a New York banking corporation, as Trustee (the "Trustee"). With respect to the issuance of any Series of Certificates hereunder, this Trust Agreement, together with the Supplement to the Trust Agreement (as defined herein) executed with respect to such specific Series, shall hereinafter be referred to as the "Agreement."

ARTICLE I**DEFINITIONS**

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

Acceleration Event: Any default in the payment of principal or interest when due on a Note by a Borrower or other event, with respect to which the Secretary elects to make an acceleration payment under the Note and the corresponding Contract.

Acceleration Payment: On or after the occurrence of an Acceleration Event with respect to a Note, the payment by the Secretary of an amount equal to the aggregate unpaid Principal Amount thereof together with accrued and unpaid interest thereon to the Interest Due Date as of which the Acceleration Payment is made.

Act: The Housing and Community Development Act of 1974, as amended, 42 U.S.C. §§ 5301 et seq.

Agreement: This Trust Agreement and all amendments and supplements hereto.

Authorized Officer: When used with respect to the Trustee, means the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president or assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

Authorized Official: When used with respect to HUD, the Secretary and any other official of HUD who at the time shall have been duly authorized to act on behalf of the Secretary.

Beneficial Owners: The actual purchasers of interests in the Certificates, whose ownership interests are recorded through the book-entry system of DTC.

Borrower: Any unit of general local government or a public agency designated by such unit of general local government that has issued debt obligations eligible for pooling and inclusion in a trust and against which trust Certificates guaranteed by the Secretary may be issued pursuant to Section 108.

Business Day: A day on which banking institutions in New York City are not required or authorized to be closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed.

Cede & Co.: The nominee name of DTC.

Certificate: Any one of the certificates of participation with respect to a Trust, to be issued in one or more Series, executed, issued and authenticated in global or definitive form pursuant hereto, in substantially the form attached hereto as Exhibit A and specifying the applicable Maturity Date (Principal Due Date), Pass-Through Interest Rate and the aggregate of all Principal Amounts due on such Principal Due Date.

Certificate Account: With respect to any Series and related Trust, the account created and maintained pursuant to Section 3.06.

Certificate Guarantee: Any guarantee of HUD endorsed on a Certificate authenticated and delivered pursuant to this Agreement and the guarantee set forth in Section 6.01.

Certificate Register: The Register maintained by the Trustee pursuant to Section 5.03.

Certificate Owner: With respect to any Certificate, a Person who is a beneficial owner thereof.

Certificateholder: The Person in whose name a Certificate is registered in the Certificate Register.

Contract: Any Contract for Loan Guarantee Assistance, including any amendments, entered into between a Borrower and the Secretary providing for the issuance of one or more Notes and their related Guaranty by such Borrower and the Secretary, respectively.

Corporate Trust Office: The office of the Trustee's Corporate Trustee Administration at Chemical Bank, which, at the date of the execution of this Agreement, is located at 450 West 33rd Street, 15th Floor, New York, New York 10001-2697, or the office of a successor trustee.

DTC: The Depository Trust Company, a securities depository for the Certificates, or its nominee, Cede & Co.

Date of Issuance: The date of issuance stated on the Certificates of a Series, which shall be the date on which the

Trust to which such Series relates is created by the delivery to the Trustee of Notes (together with any necessary endorsements thereon) and the Guaranty relating to such Notes, and which shall also be the date of issuance of the Notes comprising such Trust.

Defeasance Account: With respect to any Principal Due Date and related Principal Amount of any Note, any account created and maintained pursuant to Section 3.07.

Definitive Certificates: Definitive, fully registered Certificates issued in accordance with Section 5.03 herein.

Depository Participant: A broker, dealer, bank or other financial institution or other Person for which, from time to time, DTC effects book-entry transfers and pledges of securities deposited with DTC.

Director, Financial Management Division: Within HUD, the Director of the Financial Management Division, Office of the Assistant Secretary for Community Planning and Development, and any other official of HUD who at the time shall have been duly authorized to act on behalf of such Director.

Distribution Date: With respect to a Series, each February 1 or August 1 as of which Note payments are due, or, if any such day is not a Business Day, the next succeeding Business Day.

Fee Account: With respect to any trust, any account created and maintained pursuant to Section 7.01.

Fractional Undivided Interest: The fractional undivided interest in a portion of the Trust evidenced by a Certificate and calculated by dividing the Original Principal Amount by the aggregate Principal Amounts due on the Notes on the Principal Due Date (Maturity Date) stated on the face of the Certificate as of the Date of Issuance. For purposes of this definition, the portion of the Trust in which a Certificateholder has a fractional undivided interest consists of all Principal Amounts of the Notes due on the Principal Due Date set forth on the face of the Certificate, the Guaranty relating to all such Principal Amounts and the Certificate Account for each such Series.

Government Obligation: A direct obligation of, or any obligation for which the full and timely payment of principal and interest is guaranteed by, the United States of America, including but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds - State and Local Government Series, or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America.

Guarantee Payment: Any payment on a Note or Certificate made by the Secretary on behalf of the Borrower, whether made from security provided by the Borrower or from funds provided by the Secretary.

Guaranty: With respect to all Notes held in a Trust, the related Guaranty, pursuant to which the Secretary guarantees the due and timely payment of the principal of and interest on all such Notes.

Holder: The Person, initially the Trustee, in whose name a Note is registered.

HUD: The U.S. Department of Housing and Urban Development.

Interest Due Date: With respect to any Note, February 1 and August 1 of each year.

Maturity Date: The stated maturity date of a Certificate, which will also be the Principal Due Date of certain Principal Amounts due on the Notes to which such Certificate relates, and with respect to any prepaid Principal Amounts, the date as of which such Principal Amounts are prepaid. If any Maturity Date is not a Business Day, then payments payable on such Maturity Date shall be made on the next Business Day.

Note: Any note issued by a Borrower, held by the Trustee on behalf of the Certificateholder(s) of a given Series, and guaranteed by the Secretary pursuant to Section 108, which is subject to this Agreement.

Note Payment Date: With respect to any Note, the date that is seven Business Days prior to each (i) Interest Due Date, on which interest accrued through such Interest Due Date is payable by the Borrower, or (ii) Principal Due Date. If any Note Payment Date is

not a Business Day, then payments payable on such Note Payment Date shall be made on the next Business Day.

Opinion of Counsel: A written opinion of counsel for the Secretary, who may be, but need not be, an employee of HUD.

Optional Redemption: The full or partial prepayment of a Principal Amount due on a Note by a Borrower in accordance with the optional redemption provisions (if any) of such Note, such optional redemption provisions to provide, among other things, that such an Optional Redemption or the related prepayment, as applicable, (i) shall be made only as of any Interest Due Date occurring on or after a specified date that is at least ten years from the date of issuance of the related Note, (ii) must be received in full by the Trustee by wire transfer of immediately available funds to the Certificate Account on the related Note Payment Date, and (iii) must be accompanied by an identification of the Borrower by name, the HUD-assigned Note number and such other information as the Secretary or the Trustee may specify.

Original Principal Amount: The original principal amount stated on the Certificate, which shall be the amount represented by the Fractional Undivided Interest of such Certificate (or of the original Certificate from which such Certificate is derived) in the aggregate unpaid Principal Amounts due on a specific Principal Due Date (Maturity Date) as of the Date of Issuance and until the first

payment of principal has been made thereon, but does not reflect such amount thereafter.

Pass-Through Interest Rate: With respect to each of the Certificates of a particular Series, the annual rate of interest payable on the Principal Amounts of the Notes to which such Certificate relates, as specified on the face of such Certificate, calculated on the basis of a year of 360 days, consisting of twelve 30th-day months.

Person: Any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

Principal Amount: Any principal amount of a Note due on a Principal Due Date.

Principal Due Date: With respect to any Note, each August 1st as of which a Principal Amount of such Note is due.

Record Date: With respect to a Series, the Business Day immediately preceding a Distribution Date.

Secretary: The Secretary of HUD or his authorized designee.

Section 108: Section 108 of Title 1 of the Act, as amended.

Series: All Certificates designated to be of the same series on the face thereof that are issued pursuant to this Agreement and evidence, in the aggregate, the entire beneficial interest of a Trust created pursuant to this Agreement.



Supplement to Trust Agreement: The written agreement between the Secretary and the Trustee, substantially in the form of Exhibit B hereto, whereby Trust assets are delivered to the Trustee, as provided in Section 2.01, and the Trustee is directed to issue the Certificates of the related Series to which such Trust relates, as provided in Section 2.03.

Trust: The corpus of a trust held by the Trustee in trust pursuant to this Agreement for the benefit of the Certificateholders of a particular Series, consisting of (i) the Notes relating to such Series (together with any necessary endorsements thereon) delivered to the Trustee, (ii) the Guaranty relating to such Notes and (iii) the Certificate Account relating to such Series.

Trustee: Chemical Bank, a banking corporation organized and existing under the laws of the State of New York, or its successor in interest, or any successor trustee appointed as herein provided.

Underwriters: The underwriters identified as such in the Underwriting Agreement.

Underwriting Agreement: The written agreement between the Secretary and one or more purchasers of the Certificates of a particular Series.

ARTICLE II

CREATION OF TRUST

SECTION 2.01. Creation of Trust. (a) From time to time following the execution and delivery hereof, the Secretary, acting in its capacity as sponsor of a Trust created on behalf of the Borrowers, will arrange for the delivery to the Trustee of one or more Notes that have been issued by such Borrowers, such Notes to be held by the Trustee as provided herein for the benefit of the Certificateholders of a particular Series to be issued hereunder. The delivery of such Notes will be made pursuant to a Supplement to the Trust Agreement on the Date of Issuance. In connection with the delivery of the Notes in respect of any Trust, the Secretary will also arrange for the delivery to the Trustee of the Guaranty relating to such Notes, duly executed by the Secretary. Upon such delivery to the Trustee, the Notes so delivered, together with the related Guaranty and the Certificate Account created for such Series, will constitute the Trust.

(b) Each of the Borrower's Notes shall be in the form of a fully registered note, registered in the name of the Holder. Each Note will contain one or more Principal Due Dates and corresponding Principal Amounts and interest rates and may contain Optional Redemption provisions relating to one or more of such Principal Amounts. Each Note shall be in the aggregate amount of the sum of the Principal Amounts stated therein.

SECTION 2.02. Acceptance by Trustee. Upon its receipt of the Trust assets as provided in Section 2.01, the Trustee will acknowledge receipt of such assets delivered to it as Trustee hereunder, and will hold such assets in trust, upon the trusts set forth herein, for the use and benefit of the Certificateholders of the Certificates of the related Series, all in accordance with the terms and conditions of this Agreement; provided, however, that the Trustee shall not be responsible or held liable for reviewing the Trust assets or verifying the contents thereof.

Not less than two (2) Business Days (or such shorter period as the Secretary and the Trustee shall agree upon) before any Date of Issuance, the Secretary shall deliver written instructions directing the Trustee to distribute any amount received from the Underwriters on such Date of Issuance and payable to Borrowers in accordance with the terms set forth therein, together with any other written instructions with respect to the distribution of funds on such Date of Issuance.

SECTION 2.03. Authentication of Initial Certificates. The Trustee agrees that, concurrently with its receipt of the Trust assets, the Supplement to the Trust Agreement relating thereto, and such Opinions of Counsel as the Trustee may reasonably request, it will cause to be executed and authenticated, on behalf of the Secretary in accordance with Section 5.02, and delivered to or upon the order of the Underwriters, in exchange for such Trust assets,

Certificates of a designated and previously unissued Series in denominations authorized by this Agreement in the aggregate evidencing the entire beneficial ownership of the Trust so created.

ARTICLE III

ADMINISTRATION OF NOTES

SECTION 3.01. Appointment of Trustee. In consideration of the Secretary's Guaranty of the Notes, and the Secretary's execution of the various Certificate Guarantees hereunder, the Secretary hereby appoints the Trustee to administer the Notes and Certificates in accordance with the express provisions of this Agreement but retains with respect to the Notes full power and authority, acting alone, to do any and all things in connection with such administration that he may deem necessary or desirable. The Secretary retains the sole and exclusive right to take action and assert claims with respect to the Notes. Without limiting the generality of the foregoing, the Secretary may execute and deliver, on behalf of the Trustee and the Certificateholders, any and all instruments of satisfaction or cancellation, or of partial or full release or discharge and all other comparable instruments, with respect to the Notes. The Trustee shall furnish the Secretary with any documents reasonably requested which are necessary or appropriate to enable the Secretary to carry out the Secretary's powers hereunder.



SECTION 3.02. Modification of Notes. Any term of any Note may be modified by such amendments as may be agreed upon from time to time by the Secretary and the Borrower under such Note. No such change in the terms of any Note shall alter or affect the Secretary's Guaranty of such Note on the basis of the original terms thereof.

SECTION 3.03. Optional Redemption and Acceleration of Notes. If so provided in the applicable Note (subject to the provisions set forth herein and in such Notes) certain Principal Amounts of the Notes may be prepayable in whole or in part at the option of the Borrower as of any Interest Due Date on or after the initial date for Optional Redemption as specified in the related Note. If no initial date for Optional Redemption is indicated in the applicable Note, no Principal Amount stated therein for such Note will be payable prior to the Note Payment Date preceding the related Principal Due Date. In order to elect an Optional Redemption of a prepayable Principal Amount, the Borrower shall give notice of its intention to make a prepayment of principal to the Trustee not less than sixty (60) days nor more than ninety (90) days prior to the Interest Due Date as of which the Borrower intends to make such prepayment. The Trustee shall send a copy of the Borrower's notice to the Secretary to the attention of the Director, Financial Management Division. Notwithstanding anything to the contrary contained in any such Borrower's notice, the

Trustee shall apply any payments received in respect of permitted Optional Redemptions to outstanding Principal Amounts of the related Note in inverse chronological order, commencing with the latest Principal Due Date.

Pursuant to any Note and the corresponding Contract, the Secretary has the right on or after the occurrence of an Acceleration Event, to make an Acceleration Payment as of any Interest Due Date on or after the earliest date for acceleration specified in the Note. If the Secretary elects an acceleration, the Secretary shall deliver notice to the Trustee on or before the Note Payment Date immediately preceding the Interest Due Date selected for acceleration, and the Secretary shall make the Acceleration Payment to the Trustee by deposit of the Acceleration Payment in the Certificate Account on or before the Distribution Date corresponding to such Interest Due Date.

SECTION 3.04. Guaranty. Pursuant to each Guaranty, the Secretary shall unconditionally guarantee the timely payment of the principal of and interest on the Notes in the Trust to which such Guaranty relates.

SECTION 3.05. Notification of Amounts Due. Within one (1) month after the Date of Issuance, the Trustee shall prepare and provide to each Borrower, with a copy to the Secretary, a written schedule of total principal and interest due on the Notes of such Borrower for each Note Payment Date. One (1) month before each

Note Payment Date, the Trustee shall provide each Borrower written payment instructions with respect to the payment due on such Note Payment Date.

SECTION 3.06. Collection of Note Payments; Certificate Account. The Trustee shall receive the payments due on the Notes, including payments in respect of any Optional Redemptions, and deposit such payments into the Certificate Account as provided in this Section 3.06. Each Borrower shall make payments directly to the Trustee by 3:00 P.M. (New York City time) on the Note Payment Date. No later than 1:00 P.M. (New York City time) on the sixth Business Day next preceding each Distribution Date, the Trustee shall determine whether all payments required to be made on the Notes have been duly received from each Borrower. If such payments have not been received, the Trustee shall notify the Secretary by a telephone call to the office of the Director, Financial Management Division, that the Secretary may be required to make one or more Guaranty payments, confirmed in writing by telex or telecopy in the form attached hereto as Exhibit C, including notice of the amount of each such payment. If a payment required to be made by a Borrower on a Note has not been duly received by the Trustee by the close of business on the third Business Day next preceding such Distribution Date, the Trustee shall notify the Secretary, by a telephone call to the office of the Director, Financial Management Division, confirmed in writing by telex or

telecopy, in the form attached hereto as Exhibit D, that the Secretary is required to make one or more Guaranty payments, including notice of the amount of each such payment. The Secretary shall make any required Guaranty payment directly into the Certificate Account by 10:00 A.M. on such Distribution Date. Such payments made into a Certificate Account by the Secretary pursuant to a Guaranty shall be made by wire transfer of immediately available Federal funds directly into such account or by a check payable in immediately available Federal funds, if the amount being paid is less than \$5,000.

For each Series, the Trustee shall establish and maintain, for the benefit of the Certificateholders of such Series (subject to Section 3.09(ii)), a separate non-interest bearing trust account (a "Certificate Account") into which the Trustee shall deposit as received the following payments and collections received by it in respect of principal of and interest on the Notes comprising the Trust to which such Series relates:

- (i) All payments of interest on such Notes, including those made by the Borrower, those made with funds transferred by the Trustee from the Defeasance Account to the Certificate Account, and those made by the Secretary pursuant to a Guaranty; and

(ii) All principal payments on such Notes, including those made by the Borrower, those made with funds transferred by the Trustee from the Defeasance Account to the Certificate Account, and those made by the Secretary pursuant to a Guaranty; and

(iii) All payments in respect of Optional Redemptions and Acceleration Payments.

The foregoing requirements for deposit into each Certificate Account shall be exclusive.

The Secretary and the Trustee shall not be required to deposit and shall not deposit into the Certificate Account any payment received from a Borrower on account of an Optional Redemption unless such payment conforms to all of the requirements specified herein and in the related Note for an Optional Redemption; provided, however, that the receipt of any nonconforming payment will not in any way reduce the obligation of the Secretary under the related Guaranty. Unless otherwise specifically directed by the Secretary, the Trustee shall promptly return any such nonconforming payment to the applicable Borrower. Any payments received from a Borrower that were previously covered by payments made by the Secretary under the Guaranty (including late payments of interest and principal) and any payments received from a Borrower after an Acceleration Payment has been made with respect to the related Note will be deposited by the Trustee into the

Certificate Account upon receipt thereof, and such payments will be promptly transmitted to the Secretary.

SECTION 3.07. Defeasance Account. Any Borrower may defease the entire unpaid aggregate Principal Amount of a Note, or the entire unpaid Principal Amount due on a Principal Due Date, at any time, subject to the corresponding Contract and this Agreement. For each Note or Principal Amount thereof that the related Borrower elects to defease, the Borrower shall establish and maintain with the Trustee a trust account (a "Defeasance Account"), separate and apart from all other accounts of such Borrower and the Trustee. The Borrower shall irrevocably deposit into such account either moneys or Government Obligations that, in the sole discretion of the Secretary, mature and bear interest at times and in amounts sufficient, together with the moneys already on deposit with the Trustee for such purpose, to pay when due the principal and interest to become due with respect to the related Principal Amount on or prior to the first Interest Due Date as of which such Borrower may make an Optional Redemption, as set forth in the related Note, as the case may be.

The Borrower's election to defease shall be evidenced by giving written notices to the Trustee and the Secretary, which notices shall authorize and direct the establishment of the related Defeasance Account, shall specify the money and Government Obligations to be deposited therein and shall specify the

particular Principal Amounts, subject to the last sentence of the first paragraph of Section 3.03 herein, being defeased and the related Principal Due Date(s) and Optional Redemption Date(s) [consistent with the related Note and Contract). For all purposes of this Agreement, to the extent that a Principal Amount is so specified for defeasance in accordance with the Contract, such specification shall constitute an election to redeem on the specified date for purposes of the related Note, subject to the last sentence of the first paragraph of Section 3.03 herein. Upon and in accordance with the Secretary's instructions pursuant to the corresponding Contract, the Trustee shall apply so much of the sums deposited into a Defeasance Account as shall be necessary to purchase the Government Obligations designated by the Secretary's instructions. If the funds deposited were insufficient, or there were excess funds deposited, the Trustee shall follow the Secretary's directions as to the disposition of such funds.

The moneys and any Government Obligations held as part of a Defeasance Account shall be held as trust property solely for the benefit of the corresponding Certificateholders and shall be continuously so designated on the books and records of the Trustee. To the extent that they constitute book-entry securities issued by the United States, such Government Obligations shall be held by the Trustee through a book-entry account maintained with the Federal Reserve Bank of New York. Upon the purchase and/or delivery and

receipt into its book-entry account of any book-entry securities, the Trustee shall provide the Secretary with a certificate, signed by an Authorized Officer, confirming that such securities are being held in an account at the Federal Reserve Bank of New York and that the Trustee has marked its books and records to reflect that it is holding such securities in trust solely for the benefit of the corresponding Certificateholders. Moneys and Government Obligations held as part of a Defeasance Account shall be applied by the Trustee solely to the payment of principal of and interest on the related Principal Amounts and shall be maintained free of all liens, except such liens as may be created by this Agreement.

The Trustee shall collect on the due dates thereof the principal of and interest and premium, if any, on the Government Obligations on deposit in the Defeasance Account and shall, without further authorization or direction, apply such receipts on each Distribution Date to the payment of interest and to the payment of the related Principal Amount, when applicable. At the opening of business on the relevant Distribution Date, the Trustee shall transfer from the Defeasance Account to the Certificate Account the amount of interest and principal (if any) to be paid.

Receipts in excess of the amount necessary to make the payments on each Distribution Date shall be reinvested by the Trustee in Government Obligations (limited to Treasury bills) maturing on or before the next Distribution Date. The Trustee

shall collect on the due dates thereof the principal of and interest and premium, if any, on such Government Obligations, and shall, without further authorization or direction, apply such receipts to the payment of interest and principal on the next Distribution Date. Amounts under \$5,000 that cannot be invested in such obligations on any Distribution Date may be held uninvested.

The Borrower shall have no right or title with respect to moneys and Government Obligations irrevocably deposited with the Trustee under this Section 3.07. Such moneys and Government Obligations shall not be subject to checks or drafts drawn by the Borrower or claims against the Borrower by any creditor of the Borrower other than the Secretary with respect to the payments due on the Notes. Receipts in excess of the amount necessary to make final distributions in respect of the last Principal Amount outstanding on any Note shall be returned to the Secretary within 5 Business Days of such final distribution.

SECTION 3.08. Trustee to Act as Collection Agent. Under the Notes and this Agreement, the Trustee shall act as collection agent for the purpose of receiving the payments due on the Notes and depositing such payments into the Certificate Account, as provided in Section 3.06 and Section 3.07.

Notwithstanding the foregoing or any other provision contained herein, the Trustee shall have no duty or responsibility to enforce collection on any Note (or any Automated Clearing House funds

transfer, wire transfer, check, draft or other instrument made or given with respect to any Note) or otherwise to take any steps to seek payment thereon on behalf of the Secretary, as administrator, or any Certificateholder. The Certificateholders acknowledge and agree that the Trustee shall have only those duties expressly provided in the Agreement and shall have no other duties or responsibilities with respect to the Certificateholders or the Trust, and that the Trustee shall have no duty to institute any suit, action or proceeding on behalf of Certificateholders to enforce the Guaranty or the Secretary's guarantee of the timely payment of all distributions payable with respect to any Certificate.

SECTION 3.09. Permitted Charges Against the Certificate Account. The Trustee shall, from time to time, withdraw funds from a Certificate Account for the following purposes:

(i) to make payments to the Certificateholders in the amounts and in the manner provided for in Section 4.01; and

(ii) to clear and terminate the Certificate Account pursuant to Section 9.02; or as provided in the last sentence of Section 3.06.

SECTION 3.10. Trustee to Cooperate; Release and Assignment of Notes. Upon the payment in full of any Note (including pursuant to the Guaranty), the Trustee shall promptly release and assign the related Note to the Secretary. From time to time and as



appropriate for the administration of any Note, the Trustee shall, upon written request of the Secretary signed by an Authorized Official and delivery to the Trustee of a trust receipt signed by an Authorized Official, release such Note to the Secretary and shall execute such documents as shall be necessary for the prosecution of any such proceedings. Such trust receipt shall obligate the Secretary to return the Note to the Trustee when the need therefor by the Secretary no longer exists, unless all Principal Amounts due on such Note shall be liquidated, in which case, upon deposit into the relevant Certificate Account of the full amount of unpaid principal of and interest accrued on such Principal Amounts and receipt by the Trustee of a certificate signed by an Authorized Official stating that such Principal Amounts have been liquidated, the trust receipt shall be released by the Trustee to the Secretary and the Trustee shall promptly provide the Secretary with an assignment of the Note to the Secretary.

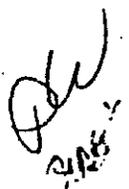
Notwithstanding the foregoing, neither the Trustee nor the Secretary shall be empowered to make any substitution of Notes in a particular Trust formed hereunder.

SECTION 3.11. Reimbursement of Trustee. In the event that a Borrower makes a Note payment to the Trustee through an Automated Clearing House funds transfer system, and subsequent to the time at which the Trustee is required to notify the Secretary that the

Secretary is required to make a Guarantee Payment with respect to such Note payment, as specified in Section 3.06 hereof, the Trustee shall receive a rejection of such Automated Clearing House funds transfer, then to the extent that the Trustee, at its sole option, shall have advanced its own funds in an amount equal to such rejected Automated Clearing House funds transfer, the Trustee shall be entitled to be reimbursed promptly by the Secretary for such amount, together with an amount representing interest expense on such funds up to the time of reimbursement (as provided below). In the event of any such rejection, the Trustee shall be reimbursed in the following manner:

(i) promptly upon receipt of notice from the Trustee by telecopy, telex or otherwise in writing of the occurrence of any such rejection, the Secretary shall reimburse the Trustee, by wire transfer of immediately available funds, for the amount of any such Automated Clearing House funds transfer so rejected; and

(ii) upon the giving of such notice to the Secretary, the Trustee shall be authorized to charge the Fee Account in an amount sufficient to reimburse itself for any interest expense incurred by the Trustee by reason of such rejection from the time of the relevant Distribution Date until the time of reimbursement of the Trustee by the Secretary pursuant to clause (i) above; provided, however, that to the extent that



the Fee Account does not contain sufficient funds to reimburse the Trustee in full for such interest expense, the Secretary shall, upon the request of the Trustee (which request may be included in the notice specified in clause (i) above), promptly pay the amount of any such deficiency directly to the Trustee. In determining whether the Fee Account has sufficient funds for purposes of the foregoing reimbursement, consideration shall be given only to funds in the Fee Account in excess of those funds held for the payment of the Trustee's fees and for reimbursement of the Trustee's reasonable expenses and disbursements. The obligations of the Secretary under this Section 3.11 shall be payable solely out of grants pledged by the applicable Borrowers to the Secretary as security for repayment of the Notes (and related costs authorized by the Secretary) pursuant to the applicable Contracts. The obligations of the Secretary under this Section 3.11 shall survive the satisfaction and discharge of this Agreement.

ARTICLE IV

PAYMENTS TO THE CERTIFICATEHOLDERS

SECTION 4.01. Payments and Distributions. On each Distribution Date relating to a particular Series, the Trustee

shall distribute to the Certificateholders of record as of the close of business on the Record Date therefor (other than as provided in Section 9.01 and Section 9.02 respecting the final distribution) each such Certificateholder's Fractional Undivided Interest in the interest at the applicable Pass-Through Rate and principal due on the Certificates of such Series. Distribution shall be made from funds available in the Certificate Account as of 10:00 A.M. (New York City Time) on the applicable Distribution Date, other than amounts, if any, received on particular Notes representing late recoveries of principal and/or interest respecting which any Guarantee Payment was made. Unless DTC or its nominee (Cede & Co.) shall be the Certificateholder, such distribution shall be made (i) to Certificateholders holding Certificates in an aggregate Original Principal Amount of \$1 million or more by wire transfer to such commercial bank located in the continental United States having appropriate facilities therefor as may be designated in writing by such Certificateholder to the Trustee (provided that such Certificateholder shall have provided the Trustee with appropriate written wire transfer instructions not later than 5 Business Days prior to the applicable Distribution Date) or (ii) otherwise, by check to the Person in whose name such Certificates are registered at the close of business on the Record Date. Where DTC or its nominee is the Certificateholder, distributions shall be made in accordance with

the applicable Letter of Representations. For so long as DTC shall be the only registered Certificateholder, the Trustee shall have no duty to monitor distributions made to Certificate Owners and shall have no liability with respect thereto.

SECTION 4.02. Statements to the Certificateholders and to the Secretary. At the time of each distribution with respect to a particular Series, the Trustee will furnish to each Certificateholder of such Series a statement setting forth the following information, stated on the basis of \$1,000 Original Principal Amount, with respect to the Certificates of such Series owned of record by such Certificateholder:

- (i) The amount of such distribution allocable to principal (including a separate breakdown of any payments in respect of Optional Redemption or Acceleration Payments);
- (ii) The amount of such distribution allocable to interest; and
- (iii) The amount of such Certificateholder's Fractional Undivided Interest in the aggregate unpaid Principal Amounts of Notes due on the Principal Due Date coinciding with the Maturity Date for such Certificates, after giving effect to distributions of principal made on such Certificates distributed on such Distribution Date.

In addition, within a reasonable period of time after the end of each calendar year, the Trustee will furnish a report to each

person who has held the status of Certificateholder at any time during such calendar year as to the aggregate of amounts reported pursuant to (i) and (ii) above for such calendar year or, in the event such person was a Certificateholder of record during a portion of such calendar year, for the applicable portion of such year.

In addition, within 30 days following the end of the calendar year, the Trustee shall file copies of the statements to Certificateholders referred to in the preceding paragraph with the Internal Revenue Service pursuant to the Income Tax Regulations governing grantor trusts. At the time the Trustee shall furnish any report to Certificateholders, it shall also furnish a similar report to the Secretary; provided, that such report furnished to the Secretary shall be made with respect to the aggregate of all Certificates of a Series outstanding at the time of such report.

SECTION 4.03. Paying Agents. The Secretary may appoint one or more paying agents in such place or places as the Secretary may designate, for the payment of amounts due on the Certificates. The paying agent initially appointed hereunder is the Trustee, located at its Corporate Trust Office.

ARTICLE V

THE NOTES AND THE CERTIFICATES

SECTION 5.01. Certificate Title and Terms; Issuance in Series. The aggregate Original Principal Amount of Certificates that may be issued under this Agreement is unlimited, except that the aggregate Original Principal Amount of Certificates of any one Series shall be limited to the unpaid aggregate Principal Amount of Notes comprising the Trust to which such Series relates as of the Date of Issuance (except that Certificates may be issued upon transfer of, or in exchange for, or in lieu of other Certificates pursuant to the terms of this Agreement).

The Certificates shall be known and designated as the "Section 108 Government Guaranteed Participation Certificates, Series HUD 19__-__, Guaranteed by the Secretary of Housing and Urban Development," which designation shall include an appropriate Series designation or designations, and the year of the Date of Issuance thereof. With respect to each Series, the Trustee shall, except as provided in Section 5.03, issue a single, separate Certificate for each Principal Due Date specified in all the Notes held in the related Trust, which Certificate shall also specify the aggregate of all Principal Amounts due on the Notes to which such Principal Due Date relates and the Pass-Through Interest Rate applicable thereto.

Certificates of separate Series may differ, as between such Series, in respect of any of the following matters, subject to the terms of this Agreement:

(1) The designation of the Certificates of the Series (which shall distinguish the Certificates of such Series from those of all other Series);

(2) The aggregate Original Principal Amount of the Certificates of such Series;

(3) The Principal Due Dates of the Notes to which such Series relates;

(4) The Date of Issuance and the Pass-Through Interest Rates with respect to the Series; and

(5) Optional Redemption and acceleration provisions (if any).

SECTION 5.02. Certificates: Execution, Authentication and Delivery. Certificates shall be executed on behalf of the Secretary by an Authorized Officer of the Trustee as agent for the Secretary under the Trustee's seal reproduced thereon. The signatures of any such Authorized Officers on the Certificates may be manual or facsimile. No Certificate shall be entitled to any benefit under this Agreement, or be valid for any purpose, unless there appears thereon a certificate of authentication substantially in the form provided for in Exhibit A hereto executed by an Authorized Officer of the Trustee by manual signature and dated as

of the date of such execution, and such certificate of authentication upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly executed, authenticated and delivered hereunder. Certificates bearing the manual or facsimile signatures of persons who were at any time the duly Authorized Officers of the Trustee shall bind the Trustee, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the delivery of the Certificates to Certificateholders.

SECTION 5.03. Registration of Transfers and Exchanges of Certificates; Denominations. The Trustee shall be the registrar of the Certificates for the purpose of registering Certificates and maintaining a record of any transfers and exchanges of Certificates as herein provided. The Trustee shall cause to be kept at the office or agency to be maintained in accordance with the provisions of Section 5.06 hereof, a Certificate Register in which, subject to such reasonable requirements as the Trustee may prescribe, the Trustee shall provide for the registration of each Series and of transfers and exchanges of Certificates as herein provided.

The Certificates shall, subject to this Section 5.03, at all times remain registered in the name of DTC or its nominee and at all times: (i) registration thereof may not be transferred by the Trustee except to a successor depository or to a nominee of DTC or a successor depository; (ii) DTC shall maintain book-entry records

with respect to the Certificate Owners and with respect to ownership and transfers of beneficial interests in the Certificates; (iii) ownership and transfers of registration of the Certificates issued in book-entry form on the books of DTC shall be governed by applicable rules established by DTC, and the rights of Certificate Owners shall be governed by applicable law and agreements between such Certificate Owners and DTC, Depository Participants, and indirect participating firms; (iv) DTC may collect its usual and customary fees, charges and expenses from its Depository Participants; (v) the Trustee shall deal with DTC, as authorized representative of the Certificate Owners of the Certificates for all purposes including the making of payments due on the Certificates and exercising the rights of Certificateholders under this Agreement, and requests and directions for and votes of such representative shall not be deemed to be inconsistent if they are made with respect to different Certificate Owners; (vi) the Trustee may rely and shall be fully protected in relying upon information furnished by DTC with respect to its Depository Participants and furnished by the Depository Participants with respect to indirect participating firms and persons shown on the books of such indirect participating firms as direct or indirect Certificate Owners; and (vii) except as provided in this Section 5.03, Certificate Owners shall not be entitled to certificates for the Certificates.



All transfers by Certificate Owners of beneficial interests in the Certificates shall be made in accordance with the procedures established by the Depository Participant or brokerage firm representing such Certificate Owner. Each Depository Participant shall transfer only beneficial interests in the Certificates of Certificate Owners it represents or of brokerage firms for which it acts as agent in accordance with DTC's normal procedures. Except as provided herein, the Trustee shall have no duty to monitor or restrict the transfer of beneficial interests in the Certificates, and shall have no liability for any such transfer, including any transfer made through the book-entry facilities of DTC or between or among Depository Participants or Certificate Owners, made in violation of applicable restrictions set forth herein. The Secretary, the Trustee and any paying agent will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

If (i) the Secretary or DTC advises the Trustee in writing that DTC is no longer willing, qualified or able to properly discharge its responsibilities as depository, and the Secretary is unable to locate a qualified successor, (ii) the Secretary at his option advises the Trustee in writing that he elects to terminate the book-entry system through DTC or (iii) Certificate Owners

representing not less than 51% of the aggregate voting rights allocated to the Certificates together advise the Trustee and DTC through the Depository Participants in writing that the continuation of a book-entry system through DTC is no longer in the best interests of the Certificate Owners, the Trustee shall notify all Certificate Owners, through DTC, of the occurrence of any such event and of the availability of Definitive Certificates to Certificate Owners requesting the same. Upon surrender to the Trustee of the related Certificates by DTC, accompanied by registration instructions from DTC for registration, the Trustee shall issue the Definitive Certificates. Neither the Secretary nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Certificates all references herein to obligations imposed upon or to be performed by DTC shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Definitive Certificates; and the Trustee shall recognize the holders of the Definitive Certificates as Certificateholders hereunder.

Unless Definitive Certificates are issued in accordance with this Section 5.03, the Certificates for each Series shall be initially registered in the name of DTC or its nominee, and shall be evidenced by a single global Certificate for each Maturity Date



substantially in the form set forth in Exhibit A hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Agreement or the form of Certificate attached hereto, or as may be necessary or desirable to reflect the varying terms of different Series, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith and with such form of Certificate, be required to comply with the rules of any securities exchange on which the Certificates may be listed, or as may, consistently herewith and with such form of Certificate, be determined by the Secretary, as evidenced by the execution of such Certificates in accordance with Section 5.02.

The Certificates shall, on original issuance, be issued by the Trustee as agent for the Secretary through the book-entry facilities of DTC and shall be executed, authenticated and delivered by the Trustee to or upon the written order of the Underwriters as specified in Section 2.03, upon receipt by the Trustee of the Notes comprising the Trust to which such Series relates, the related Guaranty and the Supplement to the Trust Agreement as specified in Section 2.01 hereof and such other documents as the Trustee may reasonably request and upon establishment of the related Certificate Account. The face amount of each Certificate shall represent 100% of the Original Principal

Amount thereof. Each such Certificate shall bear the following legend:

"Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Secretary or its agent for registration of transfer, exchange, or payment, and any Certificate issued is registered in the name of Cede & Co. or in such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

Subject to the preceding paragraphs, upon surrender for registration of transfer of any Certificate of any Series at the office or agency of the Secretary maintained for such purpose pursuant to Section 5.06, the Trustee shall execute on behalf of the Secretary, authenticate and deliver, in the name of the designated transferee or transferees, a new Certificate of the same Series, Maturity Date and Pass-Through Rate, in denominations authorized hereunder, of a like aggregate Fractional Undivided Interest.

At the option of Certificateholders, Certificates of any Series may be exchanged for other Certificates, as applicable, of the same Series of authorized denominations of like tenor (including Maturity Date and related Pass-Through Interest Rate) and aggregate Fractional Undivided Interest upon surrender of the related Certificates to be exchanged at any such office or agency. Whenever any Certificates are so surrendered for exchange, the Trustee shall record in the Certificate Register the Certificates, as applicable, which the Certificateholder is entitled to receive. Every Certificate presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer or authorization for exchange in form satisfactory to the Trustee duly executed by, the Certificateholder thereof or his attorney duly authorized in writing.

A service charge equal to a reasonable fee of the Trustee shall be charged to the Person presenting the Certificate for transfer or exchange upon any registration of transfer or exchange of such Certificate, and the Trustee may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of a Certificate.

All Certificates surrendered for payment, registration of transfer or exchange shall be cancelled by the Trustee in

accordance with its standard procedures. All such cancelled Certificates shall be forwarded to the Secretary by the Trustee, from time to time.

As long as DTC is the sole Certificateholder, Certificates having the same Maturity Date shall be registered as a single Certificate. Definitive Certificates issued under Section 5.03 herein shall be issued in such denominations as the Secretary and the Underwriters shall agree and as are administratively acceptable to the Trustee. The Certificates shall be dated the date of their authentication and shall be numbered in such manner as shall be approved by the Trustee.

SECTION 5.04. Mutilated, Destroyed, Lost or Stolen Certificates. If (i) any mutilated Certificate is surrendered to the Secretary or the Trustee, or the Secretary and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Certificate, and (ii) there is delivered to the Secretary and the Trustee such security or indemnity as may be required by either or both of them to save each of them harmless, then, in the absence of notice to the Secretary or the Trustee that such Certificate has been acquired by a bona fide purchaser, the Trustee shall execute on behalf of the Secretary, authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of the same Series and of like tenor and Fractional Undivided Interest.

Upon the issuance of any new Certificate under this Section, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses connected therewith. Any duplicate Certificate issued pursuant to this Section shall constitute complete and infeasible evidence of ownership in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Certificates.

SECTION 5.05. Persons Deemed Owners. Prior to due presentation of a Certificate for registration of transfer, the Secretary, the Trustee and any agent of the Secretary or the Trustee may treat the Person in whose name any Certificate is registered as the owner of such Certificate for the purpose of receiving distributions pursuant to Section 4.01 hereof and for all other purposes whatsoever, and neither the Secretary, the Trustee nor any agent of the Secretary or the Trustee shall be affected by notice to the contrary.

SECTION 5.06. Maintenance of Office or Agency. The Secretary will maintain a designated office or agency where Certificates may be surrendered for registration of transfer or exchange and where

notices and demands to or upon the Secretary in respect of the Certificates and this Agreement may be served. The Secretary initially appoints the Corporate Trust Office of the Trustee as such office for said purposes. The Secretary will give prompt written notice to the Trustee of any change in the location of any such office or agency.

ARTICLE VI

THE CERTIFICATE GUARANTEE

SECTION 6.01. Certificate Guarantee. In addition to the Secretary's guarantee of the timely payment of the principal of and interest on the Notes pursuant to the Guaranty, and in consideration for the purchase of the Certificates by such Certificateholders, the Secretary also, by execution of a Certificate Guarantee in the form attached hereto as Exhibit A, unconditionally guarantees to each Certificateholder of a Certificate executed, authenticated and delivered by the Trustee the due and timely payment of all distributions payable with respect to such Certificate when and as the same shall become due and payable according to the terms of such Certificate and of this Agreement.

The Secretary agrees that its obligations under the Certificate Guarantee shall be unconditional, irrespective of the

validity, regularity or enforceability of such Certificate or this Agreement, the absence of any action to enforce the same, any waiver or consent by the Certificateholder of such Certificate or by the Trustee with respect to any provisions thereof or of this Agreement, the recovery of any judgment against the Secretary or any action to enforce the same or any other circumstance that might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Secretary hereby waives diligence, presentment, demand of payment, any right to require a proceeding first against a Trust, protest or notice with respect to such Certificate and all demands whatsoever, and covenants that this Certificate Guarantee will not be discharged except by complete performance of the obligations contained in the Certificate and in the Certificate Guarantee.

The Secretary shall be subrogated to all rights of the Trustee and of the Certificateholders to receive payments made by the Borrowers pursuant to the Notes in respect of any amounts paid by the Secretary pursuant to the provisions of the Guaranty of the Notes, the Certificate Guarantee or this Agreement. As long as DTC or its nominee shall be the only registered Certificateholder, the Trustee shall act as DTC's agent solely for the purpose of enforcing the Certificate Guarantee. With respect to Definitive Certificates issued in accordance with Section 5.03, the Trustee shall have no obligation to request payments under or compel

payment by the Secretary of any amounts due to be paid under the Certificate Guarantee.

SECTION 6.02. Execution and Delivery of Certificate Guarantees. To evidence the Secretary's guarantee of the Certificates, the Secretary hereby agrees to execute a Certificate Guarantee, substantially in the form set forth in Exhibit A hereto, as appropriate, to be endorsed on each Certificate executed on behalf of the Secretary, authenticated and delivered by the Trustee. Each such Certificate Guarantee shall be manually executed on behalf of the Secretary by an Authorized Official. No Certificate authenticated and delivered by the Trustee hereunder shall be entitled to the benefits of the Certificate Guarantee unless such Certificate shall have endorsed thereon a Certificate Guarantee executed as aforesaid.

Certificate Guarantees bearing the manual signatures of individuals who were at any time the duly Authorized Officials of the Secretary shall bind the Secretary, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of the Certificates upon which such Certificate Guarantees are endorsed.

The delivery of any Certificate by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Certificate Guarantee endorsed thereon on behalf of the Secretary.

ARTICLE VII

RIGHTS AND DUTIES OF BORROWERS

SECTION 7.01 Compensation and Indemnification of Trustee.

(a) Each Borrower shall pay the Trustee an initial fee on the Date of Issuance as reasonable compensation for all services to be rendered by it hereunder and as payment or reimbursement for all reasonable expenses and disbursements (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all other persons not regularly in its employ) to be incurred by the Trustee under the Agreement. The aggregate amount of such fees from all Borrowers with respect to a Series of Notes shall be specified in the Supplement to the Trust Agreement for the related Series. The Trustee shall deposit such fee in a non-interest bearing Fee Account established for each Series, separate and apart from any Trust and from all other accounts of such Borrower and the Trustee and over which the Trustee shall have exclusive control. On an annual basis, commencing on the Date of Issuance, the Trustee will deduct from the applicable Fee Account the compensation and reimbursements due hereunder for such year. The Secretary shall also pay the Trustee any additional compensation and reimbursement payable to the Trustee pursuant to the provisions of Section 3.11. Upon the failure of any Borrower to fund the Fee Account as aforesaid, the Secretary shall fund the

Fee Account on behalf of such Borrower, which payment shall be satisfied solely out of grants pledged by such Borrower to the Secretary as security for repayment of the Notes (and related costs authorized by the Secretary) pursuant to the Contract.

(b) The Secretary hereby agrees:

(1) to reimburse the Trustee upon its request for all reasonable extraordinary out-of-pocket expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Agreement (including the reasonable compensation and expenses and disbursements of its agents, attorneys and counsel and of all persons not regularly in its employ), except any such expense, disbursement or advance as may be attributable to its gross negligence, willful misconduct or bad faith; and

(2) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without bad faith, willful misconduct or gross negligence on its part arising out of or in connection with the acceptance or administration of this Agreement or the Notes, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Secretary promptly of any claim for which it may seek indemnity under this Clause (2). The Secretary shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel

with the consent of the Secretary and the Secretary will pay the reasonable fees and expenses of such counsel. The Secretary need not pay for any settlement made without its consent.

The obligations of the Secretary under this Section 7.01(b) shall be payable solely out of grants pledged by the applicable Borrowers to the Secretary as security for repayment of the Notes (and related costs authorized by the Secretary) pursuant to the applicable Contracts. The obligations of the Secretary under this Section 7.01(b) shall survive the satisfaction and discharge of this Agreement.

ARTICLE VIII

CONCERNING THE TRUSTEE

SECTION 8.01. Duties of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Agreement and undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. The Secretary hereby designates and appoints the Trustee as its agent for the purpose of issuing, on behalf of the Secretary, the Certificates of each Series. The Trustee hereby accepts such designation and appointment and agrees to issue the Certificates of each Series in its capacity as agent for the Secretary and pursuant to the terms and provisions of this Agreement.

Except upon compliance with the provisions of Section 3.10, none of the Notes or any other instruments or documents constituting a part of any Trust shall be delivered by the Trustee to the Secretary or otherwise released from the possession of the Trustee.

No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct or bad faith; provided, however, that:

(i) The duties and obligations of the Trustee shall be determined solely by the express provision of this Agreement, the Trustee shall not be liable except for negligence or willful misconduct in the performance of such duties and obligations as are specifically set forth in this Agreement, no implied covenants or obligations shall be read into this Agreement against the Trustee and, in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth and accuracy of the statements and contents and the correctness of the opinions expressed therein, upon any certificates, opinions, resolutions, statements, reports, documents, orders or other instruments furnished to the Trustee and conforming to the requirements of this Agreement;

(ii) The Trustee shall not be personally liable for an error of judgment made in good faith by an Authorized Officer

or Authorized Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) No provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

SECTION 8.02. Certain Matters Affecting the Trustee. Except as otherwise provided in Section 8.01:

(i) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate of an Authorized Official, certificate of auditors or any other certificate, statement, instrument, opinion (including an oral opinion or advice of its counsel), report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(ii) The Trustee may consult with its counsel and any opinion of such counsel, whether oral or written, shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such opinion of counsel, and the Trustee shall not be required to take any action in violation of law or any action which would, in its reasonable

determination, expose it to any fine or penalty imposed by law;

(iii) The Trustee shall not be personally liable for any action taken, suffered or omitted to be taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(iv) The Trustee may exercise any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(v) The Trustee shall not be obligated to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, consent, order, approval or other paper or document;

(vi) Any request or direction of the Secretary referred to herein shall be sufficiently evidenced if signed by an Authorized Official; and

(vii) Whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proven or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein



specifically prescribed) may, in the absence of bad faith on its part, rely on a certificate of an Authorized Official.

SECTION 8.03. Trustee Not Liable for Certificates or Notes.

The recitals contained herein and in the Certificates (other than the certificate of authentication on the Certificates) shall be taken as statements of the Secretary, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Agreement, the Guaranty, the Certificates, the Certificate Guarantee or of any Note or related document and shall not be held liable for any defect in any portion thereof. The Trustee shall not be accountable (a) for the use or application (i) of any of the Certificates after issuance in accordance with this Agreement or (ii) of the proceeds of such Certificates after distribution to Borrowers in accordance with this Agreement or (b) for the use or application of any funds paid to the Secretary in respect of any Note.

SECTION 8.04. Eligibility Requirements for Trustee. The Trustee hereunder shall at all times be a corporation having its principal office in the State of New York and organized and doing business under the laws of such State or the United States of America, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000 and be subject to supervision or examination by

Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.05.

SECTION 8.05. Resignation and Removal of the Trustee. Subject to the further provisions of this Section 8.05, the Trustee may resign at any time and be discharged from its duties as Trustee hereunder by giving at least 60 days' prior written notice of such resignation to the Secretary and specifying the date on which such resignation is to take effect, and the Trustee may be removed by the Secretary as the Trustee at any time, with or without cause, by giving at least five (5) Business Days' prior written notice of such removal delivered to the Trustee and specifying the date on which such removal is to take effect. Upon any such resignation or removal, the Secretary may, without other formality than appointment and designation in writing (a copy of which written instrument shall be promptly provided to the resigning or removed Trustee), appoint a successor trustee and agent, provided that such

successor trustee and agent shall be eligible under the provisions of Section 8.04. Any successor trustee and agent appointed as provided herein shall execute, acknowledge and deliver to the Secretary and to its predecessor trustee and agent an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee and agent shall become effective and such successor trustee and agent, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee and agent herein. Upon acceptance by such successor trustee of its appointment hereunder or in the absence of such an appointment upon the effective date of the resignation or removal as specified in the applicable notice referred to above (or, if the notice does not so specify, the expiration of the 60- or 5-day period referred to above), the Trustee shall deliver all of the Notes and other property constituting the Trusts then in its custody to such successor trustee (or the Secretary, if no successor trustee has been appointed) against receipt by such successor (or the Secretary, if no successor trustee has been appointed), including without limitation, by transmitting to such successor trustee (or the Secretary, if no successor trustee has been appointed) for deposit into successor accounts established by the successor trustee (or the Secretary, if no successor trustee has been

appointed), all funds in or otherwise to the credit of the Certificate Accounts, and the Trustee shall otherwise release, assign and deliver to such successor trustee (or the Secretary, if no successor trustee has been appointed) all other property constituting the Trusts in its possession, and effect a transfer of such property in such manner and pursuant to such instruments as the Secretary shall reasonably request. The Trustee shall likewise deliver at such time to such successor trustee (or the Secretary, if no successor has been appointed) all moneys deposited into any Fee Account in respect of any outstanding Series upon payment of its charges in accordance with this Agreement, the Certificate Register and all related records and documents in its possession. The Trustee shall not be discharged from its duties or obligations hereunder following its resignation or removal until such property has been delivered to such successor and transferred, as provided above.

SECTION 8.06. Merger or Consolidation of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be eligible under the provisions of Section 8.04,

without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 8.07. Trustee May Own Certificates. The Trustee in its individual or any other capacity may become the owner or pledgee of Certificates with the same rights it would have if it were not Trustee.

SECTION 8.08. Fidelity Bond or Insurance. The Trustee shall obtain a fidelity bond or insurance in such amounts as the Secretary determines to be necessary to protect fully the interests of the United States Government against losses caused by or resulting from any actions of the Trustee, its employees or its agents. In no event shall the Trustee's bonding limits be less than \$100,000,000 or its first class mail insurance coverage be less than \$250,000.

ARTICLE IX

TERMINATION OF TRUST AND FINAL PAYMENT OF CERTIFICATES

SECTION 9.01. Termination. The respective obligations and responsibilities of the Secretary and the Trustee created hereby with respect to any Trust (other than the obligation of the Secretary and the Trustee to make payments to Certificateholders as hereafter set forth) shall terminate upon the final payment of the

last remaining Principal Amount, together with accrued and unpaid interest thereon, whether on the Note Payment Date immediately preceding the related Principal Due Date, upon Acceleration Payment, upon payment with respect to an Optional Redemption or upon payment from a Defeasance Account.

SECTION 9.02. Final Payment of Certificates. (a) With respect to any Certificate with respect to which final payment is due to an Optional Redemption or an Acceleration Payment, the Trustee shall give notice to each Certificateholder of such final payment, specifying the date on or after which each Certificateholder may present and surrender their Certificates for payment and cancellation at the office of the paying agent maintained pursuant to Section 4.03, such final payment to be made only upon such presentation and surrender. The date of surrender specified in such notice shall be the Distribution Date next following the Note Payment Date to which such final payment relates. Such notice shall be given by the Trustee by letter to such Certificateholders (with a copy thereof to the Secretary) mailed not later than the fifth Business Day subsequent to the Note Payment Date to which such final payment relates, provided, that the Trustee has received timely notice from the Secretary as provided in Section 3.03, if any, relating to such final payment. The Record Date shall not be effective with respect to any final payment made in accordance with this paragraph.

(b) If final payment of a Certificate shall be due on the Maturity Date in the absence of any earlier Optional Redemption or Acceleration Payment, no notice need be given and final payment will be made from the Certificate Account on the Maturity Date upon presentment and surrender of the related Certificate at the office of the paying agent maintained pursuant to Section 4.03.

(c) The Trustee shall notify the Secretary of any moneys in the Certificate Account which shall remain unclaimed by any Certificateholder entitled to receive the same for six months after the Distribution Date upon which such final payment was due. Such unclaimed funds may be paid to the Secretary upon written request signed by an Authorized Official; and the Certificateholders shall thereafter look only to the Secretary for payment of such amounts, and all liability of the Trustee with respect to such amounts shall thereupon cease.

ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.01. Amendment. This Agreement may be amended in writing from time to time by the Secretary and the Trustee, without the consent of any of the Certificateholders or the Borrowers; provided, however, that no such amendment shall, without the consent of the Certificateholder of such Certificate, reduce in any

manner the amount of, or delay the timing of, payments received on Notes, including Guarantee Payments, which are required to be distributed on any Certificate. In executing, or accepting the additional trusts created by, any amendment permitted by this Section 10.01 or the modifications thereby of the trusts created by this Agreement, the Trustee shall be entitled to receive, and (subject to Section 8.01) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Trustee may, but shall not be obligated to, enter into any such amendment affecting the Trustee's own rights, immunities or liabilities under this Agreement or otherwise.

SECTION 10.02. Limitation on Rights of Certificateholders.

As provided in each Certificate, the Certificateholders are entitled to the benefits of this Agreement to the full extent provided herein; provided, however, that notwithstanding the foregoing or any other provision contained herein or in any Certificate, except as specifically provided herein the Trustee shall not be deemed an agent or fiduciary for or on behalf of any Certificateholder or any Borrower issuing a Note, and the Trustee shall have no fiduciary duties or responsibilities with respect to any such Person, or any duty to take any action with respect to any Trust, except such duties and responsibilities as are specifically provided herein.



The death or incapacity of any Certificateholder shall not operate to terminate this Agreement or any Trust, nor entitle such Certificateholder's legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of any Trust, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

No Certificateholder shall have any right to vote or in any manner otherwise control the operation and management of any Trust, or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Certificates, be construed so as to constitute Certificateholders from time to time as partners or members of an association; nor shall any Certificateholder be under any liability to any third person by reason of any action taken by the parties to this Agreement pursuant to any provision hereof.

No Certificateholder is intended to have, nor shall any Certificateholder have, any right by virtue of any provision of this Agreement to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Agreement.

SECTION 10.03. Inspection of Documents by Certificateholders.
The Trustee shall keep a fully executed or conformed copy of this Agreement (together with all amendments, supplements, waivers and consents hereto) on file at its Corporate Trust Office and shall

permit reasonable inspection (and limited copying) to be made of this Agreement during normal business hours by any Certificateholder or by its designee, at such Person's expense, provided that the Person purporting to be such Certificateholder or designee establishes his identity and capacity to the Trustee's satisfaction.

SECTION 10.04. Governing Law. Except for the Secretary's rights and obligations under the Act and the Secretary's regulations thereunder (24 C.F.R. 570), this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

SECTION 10.05. Notices. All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given when and if personally delivered at or mailed by registered mail, postage prepaid, (a) in the case of the Secretary, to the United States Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410, Attention: Director, Financial Management Division, Office of the Assistant Secretary for Community Planning and Development, or such other address as may hereafter be furnished to the Trustee in writing by the Secretary, and (b) in the case of the Trustee, to Chemical Bank, 450 West 33rd Street, 15th Floor, New York, New York 10001, Attention: Corporate Trustee Administration or such other

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PW
2/2/11

address as may hereafter be furnished to the Borrowers and to the Secretary, in writing, by the Trustee, including any change of address related to a merger or consolidation affecting the Trustee. Any notice required or permitted to be mailed to a Certificateholder shall be given by first class mail, postage prepaid, at the address of such Certificateholder as shown in the Certificate Register. Any notice so mailed within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Certificateholder receives such notice.

SECTION 10.06. Severability of Provisions. If any one or more of the covenants, agreements, provisions, or terms of this Agreement shall be for any reason whatsoever held invalid, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Certificates or the rights of the Certificateholders thereof.

SECTION 10.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Secretary and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: [Signature]
Title: _____

CHEMICAL BANK, as Trustee

By: _____
Assistant Vice President

150 [Signature]

IN WITNESS WHEREOF, the Secretary and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: _____
Title: _____

CHEMICAL BANK, as Trustee

By: P. Kelly
Assistant Vice President



EXHIBIT A

[FORM OF CERTIFICATE]

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Secretary or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]*

SECTION 108 GOVERNMENT GUARANTEED PARTICIPATION CERTIFICATE

Evidencing a Fractional Undivided Interest in a portion of a Trust consisting of Notes issued by UNITS OF GENERAL LOCAL GOVERNMENT AND PUBLIC AGENCIES DESIGNATED BY SUCH UNITS OF GENERAL LOCAL GOVERNMENT and fully guaranteed as to timely payment of principal and interest by

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Certificate No. _____

SERIES: HUD 19--
Pass-Through Interest
Rate: _____
Date of Issuance: _____
Distribution Dates: _____
Maturity Date: _____

\$ _____
Original Principal Amount
representing a []% Fractional
Undivided Interest in a portion of
a Trust consisting of the Principal
Amounts of the Notes due on the
Principal Due Date set forth below

Principal Due Date: _____

CUSIP No.: _____

* This language will appear only on Certificates held by DTC or its nominee.

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[Handwritten signature]

THIS CERTIFIES THAT _____, is the registered owner of the Fractional Undivided Interest set forth above, in a portion of a Trust consisting of Notes issued by Units of General Local Government and Public Agencies designated by such Units of General Local Government ("Borrowers") and guaranteed by the Secretary of the United States Department of Housing and Urban Development (the "Secretary"). The holder of this Certificate (the "Certificateholder") is entitled to the benefits of a Trust Agreement dated as of January 1, 1995, as supplemented by a Supplement to the Trust Agreement, dated the Date of Issuance set forth above (together with the Trust Agreement, the "Agreement"), each by and between the Secretary, as sponsor of such Trust created on behalf of the Borrowers, and Chemical Bank (or any successor thereto), as Trustee. All capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Agreement. This Certificate is issued under and is subject to the terms, provisions and conditions of the Agreement, to which Agreement the Certificateholder by virtue of the acceptance hereof assents and by which such Certificateholder is bound.

The Trustee will distribute on each Distribution Date, or, if any such day is not a Business Day, on the next succeeding Business Day (the "Distribution Date"), commencing on the Distribution Date next succeeding the Date of Issuance, to the Person in whose name

this Certificate is registered at the close of business on the Business Day immediately preceding such Distribution Date (the "Record Date"), an amount equal to accrued interest and receipts in respect of principal due on Notes having the same Principal Due Date as set forth on this Certificate, including any Guaranty payments made by the Secretary, but excluding the amounts, if any, received as late payments of principal and interest and respecting which the Secretary has made Guarantee Payments.

Interest will accrue on the outstanding principal amount of this Certificate at the Pass-Through Interest Rate stated above, calculated on the basis of a year of 360 days, consisting of twelve 30-day months, from the Date of Issuance until payment of such principal amount shall have been made or duly provided for, and interest so accrued will be payable semi-annually on each Distribution Date.

Where DTC or its nominee is the sole Certificateholder, distributions shall be made in accordance with the applicable Letter of Representations. If DTC or its nominee is not the sole Certificateholder, distributions shall be made (i) by the Trustee or other paying agent to Certificateholders holding Certificates in an aggregate principal amount of \$1 million or more by wire transfer for the account of such Person in immediately available

funds to such commercial bank located in the continental United States having appropriate facilities for such purpose as may be designated in writing by the Person in whose name this Certificate is registered to the Trustee (provided that such Person shall have provided the Trustee with appropriate written wire transfer instructions not later than 5 Business Days prior to the applicable Distribution Date or (ii) by check to the Person in whose name such Certificates are registered at the close of business on the Record Date. Notwithstanding the above, the final distribution on this Certificate will be made on the Distribution Date coinciding with the related Maturity Date, or, if the final distribution shall occur prior to such date, such final distribution will be made without regard to the Record Date after notice by the Trustee of the pendency of such distribution and of the date on or after which this Certificate may be presented and surrendered for payment, and, in either case, only upon presentation and surrender of this Certificate at the office or agency maintained by the Secretary pursuant to the Agreement.

Unless the certificate of authentication hereon has been executed by the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement, or be valid for any purpose.



This Certificate is one of a duly authorized issue of Section 108 Government Guaranteed Participation Certificates of the Series set forth on the face of this Certificate (herein called the "Certificates") and representing the Fractional Undivided Interest set forth on the face hereof in (i) a portion of a Trust consisting of the Principal Amounts of Notes due on the Principal Due Date specified above, (ii) such funds as from time to time may be credited to the certificate account relating to this Series created by the Trustee pursuant to the Agreement (the "Certificate Account") and (iii) the Guaranty with respect to such Notes (the Notes, such funds credited to the Certificate Account, and the Guaranty being hereinafter called the "Trust"). The timely payment of principal and interest is guaranteed by the Secretary pursuant to the Guaranty.

By acceptance hereof, the Certificateholder acknowledges and agrees that, in consideration for the Guaranty and the Secretary's guarantee of the timely payment of all distributions payable with respect to this Certificate, the Secretary has appointed the Trustee to administer the Notes in accordance with the express terms of the Agreement but shall retain full power and authority, acting alone, to do any and all things in connection with such administration which it may deem necessary or desirable, and shall have the sole and exclusive right to take action and assert claims.

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with respect to the Notes. Any term of any Note may be modified by such amendments as may be agreed upon from time to time by the Secretary and the Borrower under such Note. No such change in the terms of any Note shall alter or affect the Secretary's guarantee of timely payment of all principal and interest on such Note or this Certificate. The Certificateholder acknowledges and agrees that the Trustee shall have only those duties expressly provided in the Agreement and shall have no other duties or responsibilities with respect to the Certificateholders or the Trust, except that, as long as DTC or its nominee shall be the only registered Certificateholder, the Trustee shall act as DTC's agent solely for the purpose of enforcing the Certificate Guarantee.

Upon the payment in full of all amounts due on any Note (including pursuant to the Guaranty), the Trustee shall promptly release and assign such Note to the Secretary and such Note will no longer constitute a part of the Trust.

As long as DTC is the sole Certificateholder, Certificates having the same Maturity Date will be registered as a single Certificate. Definitive Certificates issued under the Agreement shall be issued in such denominations as the Secretary and the Underwriters shall agree and as are administratively acceptable to the Trustee. Prior to due presentation of this Certificate for

registration of transfer, the Secretary and the Trustee and any agent of the Secretary or the Trustee may treat the person in whose name this Certificate is registered as the owner hereof for all purposes, and neither the Secretary, the Trustee nor any such agent shall be affected by notice to the contrary.

Pursuant to the Agreement, the Secretary will maintain a designated office or agency where Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Secretary in respect of the Certificates and the Agreement may be served. The Secretary has initially appointed the Corporate Trust Office of the Trustee as such office for said purposes. The Secretary will give prompt written notice to the Trustee and the Certificateholders of any change in the location of any such office or agency.

The Trustee is the registrar of the Certificates. The Trustee shall cause to be kept at the office or agency referred to above a Certificate Register in which the Trustee shall provide for the registration of Certificates and of transfers and exchanges of Certificates as provided in the Agreement.

A service charge equal to a reasonable fee of the Trustee shall be charged to the Person presenting this Certificate for

Handwritten signature and initials in the bottom right corner of the page.

transfer or exchange upon any registration of transfer or exchange of this Certificate, and the Trustee may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of this Certificate.

The Agreement may be amended from time to time by the Secretary and the Trustee without the consent of any of the Certificateholders; provided, however, that no such amendment shall reduce in any manner the amount of, or delay the timing of, payments received on Notes, including Guarantee Payments, which are required to be distributed on any Certificate without the consent of the affected Certificateholder. No such amendment, modification, waiver or consent shall adversely affect the rights of the Certificateholders of any Certificate issued in accordance with the terms of the Agreement and outstanding at the time of such amendment, modification, waiver or consent.

The Certificate does not purport to summarize the Agreement and reference is made to the Agreement for the interests, rights, benefits, obligations and duties evidenced hereby, and the rights, duties and immunities of the Trustee.

The obligations created by the Agreement and the Trust created thereby with respect to this Certificate shall terminate upon the final payment of the last remaining Principal Amount, together with accrued and unpaid interest thereon, to the Certificateholders by the Trustee or the Secretary or pursuant to applicable law with respect to unclaimed funds as the case may be.

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[Handwritten signature]

IN WITNESS WHEREOF, the Secretary has caused this Certificate to be duly executed on its behalf by its issuing agent, the Trustee, under the official seal of the Trustee.

CHEMICAL BANK,
as Trustee

By: _____
Authorized Officer

[Seal]

Attest:

By: _____
Authorized Officer.

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred to in the within-mentioned Agreement.

CHEMICAL BANK,
as Trustee

By: _____
Authorized Officer

Date: _____

[FORM OF CERTIFICATE GUARANTEE]

The Secretary hereby unconditionally guarantees to the Certificateholder, when this Certificate Guarantee is executed on behalf of the Secretary, authenticated and delivered by the Trustee, the timely payment of all distributions payable with respect to this Certificate when and as the same shall become due and payable according to the terms of this Certificate and of the Agreement.

The Secretary hereby agrees that the Secretary's obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of this Certificate or the Agreement, the absence of any action to enforce the same, any waiver or consent by the Certificateholder or by the Trustee with respect to any provisions hereof or of the Agreement, the recovery of any judgment against the Secretary or any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Secretary hereby waives diligence, presentment, demand of payment, any right to require a proceeding first against the Trust, protest or notice with respect to this Certificate and all demands whatsoever, and covenants that this Certificate Guarantee will not be discharged

except by complete performance of the obligations contained in this Certificate and in this Certificate Guarantee.

The Secretary shall be subrogated to all rights of the Trustee and the Certificateholders to receive payments made by the Borrowers pursuant to the Notes in respect of any amounts paid by the Secretary pursuant to the provisions of this Certificate Guarantee or the Agreement.

This Certificate Guarantee shall be governed by and construed in accordance with the federal law of the United States of America.

The full faith and credit of the United States is pledged to the performance of this Certificate Guarantee.

All terms used in this Certificate Guarantee which are defined in the Agreement shall have the meanings assigned to them in the Agreement.

This Certificate Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Certificate upon which this Certificate Guarantee is endorsed shall have been executed by the Trustee by the manual signature of one of its authorized officers.

IN WITNESS WHEREOF, the Secretary has caused this Certificate
Guarantee to be duly executed.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: _____
Title: _____

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[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned sell(s), assign(s) and transfer(s) unto

[Insert Social Security or Other Identifying Number of Assignee]

(Please Print or Type Name and Address, including Zip Code, of Assignee)

the within Certificate and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature: _____

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Handwritten initials/signature

Refinance of CDBG Section 108 Loan

October 25, 2011

EXHIBIT B

SUPPLEMENT

relating to
 \$ _____ Aggregate Original Principal Amount

SECTION 108 GOVERNMENT GUARANTEED
 PARTICIPATION CERTIFICATES, SERIES HUD 19__-__

This SUPPLEMENT, is entered into by the SECRETARY OF HOUSING AND URBAN DEVELOPMENT (the "Secretary") and CHEMICAL BANK, as trustee (the "Trustee") under that certain Trust Agreement, dated January 1, 1995, by and between the Trustee and the Secretary, as sponsor of a Trust created on behalf of certain units of general local government and public agencies designated by such units of general local government (the "Agreement"). All capitalized terms used but not defined herein have the meanings ascribed thereto in the Agreement.

WITNESSETH

WHEREAS, pursuant to the Agreement, the Trustee is to hold in trust certain Notes guaranteed by the Secretary and to issue Certificates evidencing beneficial interests in a trust consisting of such Notes (the "Trust"); and

WHEREAS, pursuant to the Agreement, the Secretary and the Trustee are to enter into this Supplement whereby the Secretary delivers the Notes and related Guaranty to the Trustee and the Secretary directs the Trustee to issue the Certificates;

NOW, THEREFORE, in consideration of these premises, the parties agree as follows:

1. Delivery and Acknowledgment.

The Secretary hereby delivers to the Trustee (a) the Notes (together with any necessary endorsements thereon) listed on the attached Schedule 1, as identified by Borrower, Aggregate Principal Amounts, Principal Amounts, Principal Due Dates and interest rates and (b) the related Guaranty to hold in trust for the benefit of the Certificateholders. The Secretary acknowledges the terms and conditions of the Agreement and hereby agrees that the Trust shall be governed by the terms thereof. The term "Trust" as used herein shall refer to that Trust established as a result of the delivery to the Trustee of the Notes and related documents referred to herein.

2. Authority to Issue Certificates.

The Secretary hereby directs the Trustee, as agent for the Secretary, to issue Certificates with respect to the Trust as follows:

a. Name of Series. The designation of the Series authorized hereby shall be "Section 108 Government Guaranteed

Participation Certificates, Series HUD 19__-__, Guaranteed by the Secretary of Housing and Urban Development."

b. Issuance of Certificates. Pursuant to Section 2.03 of the Trust Agreement, the Trustee is hereby authorized and directed to execute on behalf of the Secretary, authenticate and deliver, on this date, in the name of the Certificateholder, the Certificates specified on the attached Schedule 2 against receipt of the Notes, the related Guaranty and this Supplement.

3. Acknowledgments and Certifications.

a. The Secretary hereby certifies that it has satisfied all conditions on its part to be performed or satisfied as a condition to the issuance of the foregoing Certificates. Without limiting the provisions of Section 3.11 and Section 7.01 of the Agreement, the Secretary further certifies that the Trustee shall be paid, for services rendered in connection with the administration of the Trust assets listed on the attached Schedule 1, and pursuant to Section 7.01 of the Agreement, a fee of \$_____.

b. The Trustee hereby acknowledges receipt of the Trust assets listed on the attached Schedule 1.



c. This Supplement shall constitute the Supplement referred to in Section 2.01 of the Agreement.

IN WITNESS WHEREOF, the parties have caused this Supplement to be executed this ____ day of _____, 19__.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: _____

CHEMICAL BANK, as Trustee

By: _____
Assistant Vice President

SCHEDULE 1 TO SUPPLEMENT
TO TRUST AGREEMENT

TRUST ASSETS ASSIGNED TO TRUSTEE

<u>PRINCIPAL DUE DATE</u>	<u>INTEREST RATE</u>
_____, 199__	_____%
_____, 199__	_____%
_____, 199__	_____%

<u>Borrower</u>	<u>Aggregate Principal Amounts</u>	<u>Principal Amounts Due on above Principal Due Dates</u>					
		<u>199</u>	<u>199</u>	<u>199</u>	<u>199</u>	<u>200</u>	<u>200</u>

SCHEDULE 2 TO SUPPLEMENT
TO TRUST AGREEMENT

CERTIFICATES TO BE ISSUED

<u>Original Principal Amount</u>	<u>Maturity Dates¹</u>	<u>Pass-Through Interest Rate</u>	<u>CUSIP Number</u>
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¹ Principal amounts due on or after August 1, _____ are subject to earlier payment upon an Optional Redemption or an Acceleration Event.



Refinance of CDBG Section 108 Loan

October 25, 2011

EXHIBIT C

[FORM OF NOTICE OF MISSED BORROWER PAYMENT
FROM TRUSTEE TO SECRETARY]

Secretary
U.S. Department of Housing
and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Attention: Director, Financial Management Division
Office of the Assistant Secretary for
Community Planning and Development

Re: Trust Agreement, dated as of _____, 19____

Dear Sir or Madam:

We are furnishing this notice to you pursuant to Section 3.06 of the Trust Agreement, dated as of _____, 19____, between you and the Secretary providing for the issuance of Section 108 Government Guaranteed Participation Certificates, Series HUD 199__ - ____ (the "Trust Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Trust Agreement.

This letter confirms our earlier telephone notice to you that we have not received the payments listed below required to be made on the corresponding listed Notes:

<u>Borrower</u>	<u>Original Aggregate Principal Amount of Note</u>	<u>Amount of Missed Payment</u>	<u>Date of Missed Payment</u>
-----------------	--	---	---------------------------------------

Refinance of CDBG Section 108 Loan

October 25, 2011

We agree to notify you no later than 5:00 P.M. (New York City time) three Business Days from the date hereof if we have not received such payment.

Very truly yours,

CHEMICAL BANK, as Trustee
under the Trust Agreement

By: _____
Name: _____
Title: _____

Refinance of CDBG Section 108 Loan

October 25, 2011

EXHIBIT D

[FORM OF NOTICE FOR GUARANTEE PAYMENT
FROM TRUSTEE TO SECRETARY]

Secretary
U.S. Department
of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Attention: Director, Financial Management Division
Office of the Assistant Secretary for
Community Planning and Development

Re: Trust Agreement, dated as of _____, 19____

Dear Sir or Madam:

We are furnishing this notice to you pursuant to Section 3.06 of the Trust Agreement, dated as of _____, 19____, between you and the Secretary providing for the issuance of Section 108 Government Guaranteed Participation Certificates, Series HUD 199____ (the "Trust Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Trust Agreement.

This letter confirms our previous telephone notice to you that we have not received the payments required to be made on the following Notes:

<u>Borrower</u>	<u>Original Aggregate Principal Amount of Note</u>	<u>Amount of Missed Payment</u>	<u>Date of Missed Payment</u>

We are writing this letter to inform you that you are required pursuant to your Guaranty of such Note to make a Guarantee Payment

in the amount of \$ _____ in respect of the above-mentioned Note. If the above specified amount is less than \$5,000, such Guaranty Payment shall be made by check in immediately available funds to the order of [_____]. If the above specified amount equals or exceeds \$5,000, payment should be made by wire transfer to us in immediately available funds to:

[Insert wire instructions here.]

Very truly yours,

CHEMICAL BANK, as Trustee
under the Trust Agreement

By: _____
Name: _____
Title: _____





SUPPLEMENT

relating to
\$ _____ Aggregate Original Principal Amount

SECTION 108 GOVERNMENT GUARANTEED
PARTICIPATION CERTIFICATES, SERIES HUD _____

This SUPPLEMENT (the "Series _____ Supplement"), is entered into by the SECRETARY OF HOUSING AND URBAN DEVELOPMENT (the "Secretary") and JPMORGAN CHASE BANK (formerly known as Chemical Bank or The Chase Manhattan Bank), as trustee (the "Trustee") under the Trust Agreement, dated January 1, 1995, by and between the Trustee and the Secretary, as sponsor of a Trust created on behalf of certain units of general local government and public agencies designated by such units of general local government (the "Agreement"). All capitalized terms used but not defined herein have the meanings ascribed thereto in the Agreement.

WITNESSETH

WHEREAS, pursuant to the Agreement, the Trustee is to hold in trust certain Notes guaranteed by the Secretary and to issue Certificates evidencing beneficial interests in a trust consisting of such Notes (the "Trust"); and

WHEREAS, pursuant to the Agreement, the Secretary and the Trustee are to enter into this Series _____ Supplement whereby the Secretary delivers the Notes and related Guarantee to the Trustee and the Secretary directs the Trustee to issue the Certificates (the "Series _____ Certificates");

NOW, THEREFORE, in consideration of these premises, the parties agree as follows:

1. Delivery and Acknowledgment.

The Secretary hereby delivers to the Trustee (a) the Notes (together with any necessary endorsements thereon) listed on the attached Schedule 1, as identified by Borrower, Aggregate Principal Amounts, Principal Amounts, Principal Due Dates and interest rates and (b) the related Guarantee to hold in trust for the benefit of the Certificate holders. The Secretary acknowledges the terms and conditions of the Agreement and hereby agrees that the Trust shall be governed by the terms thereof as amended hereby. The term "Trust" as used herein shall refer to that Trust established as a result of the delivery to the Trustee of the Notes and related documents referred to herein.

2. Authority to Issue Certificates.

The Secretary hereby directs the Trustee, as agent for the Secretary, to issue Series _____ Certificates with respect to the Trust as follows:

a. Name of Series. The designation of the Series authorized hereby shall be "Section 108 Government Guaranteed Participation Certificates, Series HUD _____, Guaranteed by the Secretary of Housing and Urban Development."

b. Issuance of Certificates. Pursuant to Section 2.03 of the Trust Agreement, the Trustee is hereby authorized and directed to execute on behalf of the Secretary, authenticate and deliver, on this date, in the name of the Certificateholder, the Series _____ Certificates specified on the attached Schedule 2 against receipt of the Notes, the related Guarantee and this Series _____ Supplement.

3. Acknowledgments and Certifications.

a. The Secretary hereby certifies that it has satisfied all conditions on its part to be performed or satisfied as a condition to the issuance of the foregoing Certificates. Without limiting the provisions of Section 3.11 and Section 7.01 of the Agreement, the Secretary further certifies that the Trustee shall be paid, for services rendered in connection with the administration of the Trust assets listed on the attached Schedule 1, and pursuant to Section 7.01 of the Agreement, a fee of \$_____.

b. The Trustee hereby acknowledges receipt of the Trust assets listed on the attached Schedule 1.

c. This Series _____ Supplement shall constitute the Supplement referred to in Section 2.01 of the Agreement.

4. Modification and Ratification of the Agreement.

a. Solely for purposes of this Series _____ Supplement and the Series _____ Certificates, the definition of "Optional Redemption" set forth in Article I of the Agreement is hereby deleted in its entirety and replaced as follows:

"Optional Redemption: The full or partial prepayment of a Principal Amount due on a Note by a Borrower in accordance with the optional redemption provisions (if any) of such Note, such optional redemption provisions to provide, among other things, that such an Optional Redemption (i) shall be made only as of any Interest Due Date occurring on or after the date specified in the related Note after which such Optional Redemptions are permitted, (ii) must be received in full by the Trustee by wire transfer of immediately available funds to the Certificate Account on the related Note Payment Date, and (iii) must be accompanied by an

identification of the Borrower by name, the HUD-assigned Note number and such other information as the Secretary or the Trustee may specify."

b. Solely for purposes of this Series _____ Supplement and the Series _____ Certificates, the last sentence of the first paragraph of Section 3.03 of the Agreement is hereby deleted in its entirety and replaced as follows:

"The Trustee shall apply any payments received in respect of permitted Optional Redemptions to the outstanding Principal Amounts of the related Note designated in the instructions of the related Borrower set forth in the above mentioned notice, in each case, as approved in writing by the Secretary."

c. Solely for purposes of this Series _____ Supplement and the Series _____ Certificates, the first and second paragraphs of Section 3.07 of the Agreement are hereby deleted in their entirety and replaced as follows:

"Any Borrower may defease the unpaid aggregate Principal Amount of a Note, or the unpaid Principal Amount due on a Principal Due Date, in whole or in part, at any time, subject to the corresponding Contract and this Agreement. For each Note or Principal Amount (or portion thereof) that the related Borrower elects to defease, the Borrower shall establish and maintain with the Trustee a trust account (a "Defeasance Account"), separate and apart from all other accounts of such Borrower and the Trustee. The Borrower shall irrevocably deposit into such account either moneys or Government Obligations that, in the sole discretion of the Secretary, mature and bear interest at times and in amounts sufficient, together with the moneys already on deposit with the Trustee for such purpose, to pay when due the principal and interest to become due with respect to the related

Principal Amount (or portion thereof) that the Borrower elects to defease, in accordance with the notice of the Borrower as specified below.

The Borrower's election to defease shall be evidenced by giving written notices to the Trustee and the Secretary, which notices shall authorize and direct the establishment of the related Defeasance Account, shall specify the money and Government Obligations to be deposited therein and shall specify the particular Principal Amounts (or portions thereof) being defeased and the related Principal Due Date(s) and Optional Redemption Date(s) (consistent with the related Note and Contract). For all purposes of this Agreement, to the extent that a Principal Amount (or portion thereof) is so specified for defeasance in accordance with the Contract, such specification shall constitute an election to redeem on the date specified in the foregoing notice for purposes of the related Note, subject to approval of the Secretary. Upon and in accordance with the Secretary's instructions pursuant to the corresponding Contract, the Trustee shall apply so much of the sums deposited into a Defeasance Account as shall be necessary to purchase the Government Obligations designated by the Secretary's instructions. If the funds deposited were insufficient, or there were excess funds deposited, the Trustee shall follow the Secretary's directions as to the disposition of such funds."

d. The Agreement as modified and supplemented by this Series _____ Supplement with respect to the Series _____ Certificates (but which modification and supplement shall not apply to any other Series of Certificates unless otherwise specified in the related Supplement for such Series of Certificates) is in all respects ratified and confirmed, and

the Agreement as so modified and supplemented by this Series _____ Supplement shall be read, taken and construed as one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Series _____ Supplement to be executed as of the ____ day of _____, 20__.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

By: _____
Signature

Name: _____

Title: _____

JPMORGAN CHASE BANK, as Trustee

By: _____
Signature

Name: _____

Title: _____

**SCHEDULE 1 TO SERIES _____ SUPPLEMENT
TO TRUST AGREEMENT**

TRUST ASSETS ASSIGNED TO TRUSTEE

PRINCIPAL
DUE DATE

INTEREST RATE

August 1,
August 1,

**SCHEDULE 2 TO SERIES _____ SUPPLEMENT
TO TRUST AGREEMENT**

CERTIFICATES TO BE ISSUED

<u>CUSIP Number</u>	<u>Principal Amount</u>	<u>Maturity Date</u> ¹	<u>Interest Rate</u>
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¹ Principal amounts due on or after August 1, _____ are subject to earlier payment upon an Optional Redemption or an Acceleration Event.



RESOLUTION NO. 2011 -

Adopted by the Sacramento City Council

on date of

DEL PASO NUEVO HOMEOWNERSHIP PROJECT: AUTHORIZING THE REFINANCE OF AN EXISTING U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN (B-97-MC-06-003); AND AMENDING THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY BUDGET TO REMIT THE FEBRUARY 1, 2012 INTEREST PAYMENT AS WELL AS THE COST OF ISSUANCE

BACKGROUND

- A. In 2001, Sacramento Housing and Redevelopment Agency (SHRA), as the public entity designated to administer the Community Development Block Grant (CDBG) funds on behalf of the City of Sacramento, obtained a Federal Department of Housing and Urban Development (HUD) Section 108 Loan (B-97-MC-06-003) Series 2001-A to finance the Del Paso Nuevo Homeownership Project.
- B. The outstanding principal on the existing note is in the amount of Two Million Ninety Five Thousand Dollars (\$2,095,000).
- C. HUD is scheduled to have a Section 108 public offering on November 17, 2011 where SHRA desires to refinance the outstanding balance due to the favorable interest rates.
- D. The interest rates proposed by HUD would yield a savings of approximately Five Hundred Thousand Dollars (\$500,000) over the remaining 10 year term.
- E. The remaining terms of the note will remain unchanged.
- F. The project is categorically exempt per California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(5) which excludes administrative activities of governments that will not result in direct or indirect changes in the environment.
- G. The specific actions herein are exempt under National Environmental Policy Act (NEPA) regulations at 24 CFR Section 58.34(a)(2) and (3), which exempt information and financial services, and administrative and management activities respectively.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The above recitals are found to be true and correct and the proposed administrative and management actions are categorically exempt under CEQA Guidelines Section 15378(b)(5), and exempt under NEPA pursuant to 24 CFR 58.34(a)(2) and (3).
- Section 2. SHRA, by action of its Executive Director or her designee, is authorized to execute and transmit all loan documents to HUD including the Note, attached as Exhibit A, in the amount of \$2,095,000 and take other actions necessary to refinance the existing HUD Section (B-97-MC-06-003) Series 2001-A obtained to finance the Del Paso Nuevo Homeownership Project and to perform other actions necessary to ensure proper repayment of the Note.
- Section 3. SHRA, by action of its Executive Director or her designee, is authorized to amend the SHRA budget to remit the February 1, 2012 interest payment of \$67,298 as well as the cost of issuance estimated at \$10,475 to the Trustee prior to close.
- Section 4. The Mayor of the City of Sacramento, or his designee, is hereby authorized to execute all loan documents including the Contract for Loan Guarantee Assistance, attached as Exhibit B, and take other actions necessary to refinance the existing HUD Section 108 loan (B-97-MC-06-003) Series 2001-A obtained to finance the Del Paso Nuevo Homeownership Project.

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Exhibit A: Fixed Rate Note

Exhibit B: HUD Contract for Loan Guarantee Assistance

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT****Fixed Rate Note for Series 2011-A Certificates**

BORROWER: The Sacramento Housing And Redevelopment Agency, CA

NOTE NO. B-97-MC-06-0003

REGISTERED HOLDER:
THE BANK OF NEW YORK MELLON

DATE:

AGGREGATE PRINCIPAL
AMOUNT: \$2,095,000

For value received, the undersigned, the Sacramento Housing And Redevelopment Agency (the "Borrower," which term includes any successors or assigns), a public entity or agency organized and existing under the laws of the State (or Commonwealth, if applicable) of California, promises to pay to the order of THE BANK OF NEW YORK MELLON, as Registered Holder (the "Holder," which term includes any successors or assigns), the Principal Amounts set forth on the attached Schedule P&I as of each applicable Principal Due Date set forth therein, together with interest on such unpaid Principal Amounts at the rates applicable thereto as specified on such attached Schedule P&I. Interest shall be calculated and payments shall be made in the manner set forth below. The Holder is acting hereunder on behalf of a trust (the "Trust") created pursuant to a Trust Agreement by and between the Secretary of Housing and Urban Development (the "Secretary") and Chemical Bank (now known as The Bank of New York Mellon), as trustee (the "Trustee"), dated as of January 1, 1995, as amended (the "Trust Agreement"), as supplemented by the applicable Supplement to the Trust Agreement, by and between the Secretary and the Trustee.

A. Principal and Interest

Interest on a Principal Amount of this Note that is due as of a given date specified on the Schedule P&I attached hereto (such date, the "Principal Due Date" for such Principal Amount) shall accrue at the per annum rate specified on such Schedule P&I from (and including) the date hereof to (but excluding) such Principal Due Date or, if applicable, to the applicable Interest Due Date on which an Optional Redemption (as defined below) occurs. The aggregate of the interest amounts accrued on the entire unpaid Principal Amount of this Note shall be due semiannually as of February 1 and August 1 of each year (each, an "Interest Due Date"), commencing on February 1, 2012, until the Aggregate Principal Amount listed on the Schedule P&I attached to this Note is paid in full. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

B. Optional Redemption

Certain Principal Amounts indicated as being eligible for Optional Redemption on the Schedule P&I hereto may be paid, in whole or in part, at the option of the Borrower as of any Interest Due Date on or after the date specified in such Schedule (an "Optional Redemption"). In order to elect an Optional Redemption of a redeemable Principal Amount, the Borrower shall give notice of its intention to redeem a Principal Amount to the Trustee and the Secretary not less than 60 days nor more than 90 days prior to the Interest Due Date as of which the Borrower intends to redeem the Principal Amount. The Trustee shall apply any payments received in respect of Optional Redemptions in accordance with written instructions of the Borrower, as approved by the Secretary. Principal Amounts that are not indicated as being eligible for Optional Redemption on such Schedule may not be prepaid.

C. Additional Definitions

For purposes of this Note, the following terms shall be defined as follows:

"Business Day" shall mean a day on which banking institutions in New York, New York, are not required or authorized to remain closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed. If any payment (including a payment by the Secretary) is required to be made on a day that is not a Business Day, then payment shall be made on the next Business Day.

"Contract" shall mean the Contract for Loan Guarantee Assistance, and any amendments thereto, between the Secretary and the Borrower, the designated public entity named therein (if applicable), or the State named therein (if applicable), which refers to and incorporates this Note by the number hereof.

D. Borrower's Timely Payment to Trustee

Notwithstanding anything contained in this Note, the Borrower, in accordance with the Contract, shall be required to make all payments of interest and principal, including any Optional Redemption payments, directly to the Trustee on the seventh Business Day prior to the appropriate Interest Due Date, Principal Due Date or date of Optional Redemption, as applicable.

E. Interest on Late Payments

If a payment of principal or interest herein provided for has not been duly received by the Holder from either the Borrower or the Secretary by the close of business on the applicable Interest Due Date or Principal Due Date, interest shall accrue on the amount of such payment at the applicable interest rate or rates payable on this Note, from the relevant due date until the date such payment is made. Nothing in the immediately preceding sentence shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

F. Applicability of Fiscal Agency Agreement and Trust Agreement

This Note and payments made hereunder shall be administered pursuant to the terms of the Trust Agreement and are subject to such agreement. The terms and provisions of the Trust Agreement, insofar as they affect the rights, duties and obligations of the Holder and/or the Borrower, are hereby incorporated herein and form a part of this Note. Capitalized terms not defined in this Note shall have the meanings ascribed to them in Trust Agreement. The Amended and Restated Master Fiscal Agency Agreement dated as of May 17, 2000, between the Secretary and The Chase Manhattan Bank (now known as The Bank of New York Mellon), as Fiscal Agent (the "Fiscal Agency Agreement") provides for JPMorgan Chase Bank, acting as Fiscal Agent to perform certain duties, including the duties of registrar for this Note until this Note is canceled or a new registrar appointed in accordance with the Fiscal Agency Agreement. The Trust Agreement provides for the Trustee to perform certain duties, including the duties of paying agent and collection agent for this Note until a new Trustee is appointed in accordance with the Trust Agreement. This Note may be surrendered to the Fiscal Agent for registration of transfer or exchange, as provided in the Fiscal Agency Agreement. The Fiscal Agent and the Trustee shall permit reasonable inspection to be made of a copy of the Fiscal Agency Agreement or Trust Agreement kept on file at its corporate trust office. Neither the Fiscal Agency Agreement nor the Trust Agreement shall change the Borrower's payment obligations under this Note.

G. Applicability of Contract and Secretary's Guarantee

This Note evidences indebtedness incurred pursuant to and in accordance with the Contract and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. § 5308) (the "HCD Act"). This Note is subject to the terms and provisions of the Contract, to which Contract reference is hereby made for a statement of said terms and provisions and for a description of the collateral security for this Note. The payment of principal on the applicable Principal Due Dates and of interest on the applicable Interest Due Dates under this Note is unconditionally guaranteed by the Secretary to the Holder through a guarantee (the "Guarantee"). Execution of the Secretary's Guarantee is required before this Note is effective, and such Guarantee shall be issued pursuant to and in accordance with the terms of the Contract and Section 108 of the HCD Act.

H. Default

A default under this Note shall occur upon failure by the Borrower to pay principal or interest on this Note when due to the Trustee hereunder. On any Interest Due Date on or after the first permissible Optional Redemption Date, if either (i) a Borrower defaults on the payment of any interest or Principal Amount when due or (ii) the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph, then the Secretary may, but is not obligated to, make an acceleration payment to the Trustee equal to the Aggregate Principal Amount of the Note, together with accrued and unpaid interest thereon to such Interest Due Date. The Secretary shall give notice of such payment on the fourteenth Business Day preceding such Interest Due Date and shall make such payment on the seventh Business Day preceding such Interest Due Date. In the event that any such acceleration payment is made from sources other than funds pledged by the Borrower as security under the Contract (or other Borrower funds), the

amounts paid on behalf of the Borrower shall be deemed to be immediately due and payable to the Secretary. Nothing in this paragraph shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

In addition, the Secretary may declare the Borrower in default under this Note if the Secretary makes a final decision in accordance with the provisions of 24 CFR § 570.913 (or any successor regulation thereof), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with Title I of the HCD Act. Following the giving of such reasonable notice, the Secretary may take the remedial actions specified as available in the relevant provisions of the Contract pending the Secretary's final decision.

I. Holder's Reliance on Guarantee

Following a default by the Borrower under the terms of this Note, the Holder agrees to rely wholly and exclusively for repayment of this Note upon the Guarantee. The enforcement of any instruments or agreements securing or otherwise related to this Note shall be the sole responsibility of the Secretary, and the Holder shall not be responsible for the preparation, contents or administration of such instruments and agreements, or for any actions taken in connection with such instruments and agreement. The Holder, to the extent it is legally able to do so, shall bind or cause to be bound its successors and assigns to all limitations imposed upon the Holder by this Note.

J. Amendment

This Note may only be amended with the prior written consent of the Secretary and the Borrower. No such amendment shall reduce, without the prior written consent of the Holder of this Note, in any manner the amount of, or delay the timing of, payments required to be received on this Note by the Holder or Trustee, including Guarantee Payments.

K. Waivers

The Borrower hereby waives any requirement for presentment, protest or other demand or notice with respect to this Note. The Borrower hereby waives notice of default and opportunity for hearing for any failure to make a payment when due.

L. Delivery and Effective Date

This Note is deemed issued, executed, and delivered on behalf of the Borrower by its authorized official as an obligation guaranteed by the Secretary pursuant to Section 108 of the HCD Act, effective as of the date of the Secretary's Guarantee.

M. Borrower Specific Provisions

Proceeds of this Note shall be used solely for the purpose of refinancing through defeasance funds advanced under previous Note(s) having the same Note number.

[Remainder of Page Intentionally Left Blank]

THE UNDERSIGNED, as an authorized official of the Borrower, has executed and delivered this Note.

Agency, CA

Sacramento Housing And Redevelopment

BORROWER

BY:

(Signature)

LaShelle Dozier
(Name)

Executive Director
(Title)

SCHEDULE P&I

Note No. B-97-MC-06-0003

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
\$ 145,000	August 1, 2012			X
\$ 145,000	August 1, 2013			X
\$ 145,000	August 1, 2014			X
\$ 190,000	August 1, 2015			X
\$ 190,000	August 1, 2016			X
\$ 190,000	August 1, 2017			X
\$ 190,000	August 1, 2018			X
\$ 300,000	August 1, 2019			X
\$ 300,000	August 1, 2020			X
\$ 300,000	August 1, 2021			X
\$	August 1, 2022		X	
\$	August 1, 2023		X	
\$	August 1, 2024		X	
\$	August 1, 2025		X	
\$	August 1, 2026		X	
\$	August 1, 2027		X	
\$	August 1, 2028		X	
\$	August 1, 2029		X	
\$	August 1, 2030		X	
\$	August 1, 2031		X	

\$2,095,000 = Aggregate Principal Amount

Principal Amounts due on or after August 1, 2022, for which Optional Redemption is available may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after August 1, 2021.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**CONTRACT FOR LOAN GUARANTEE ASSISTANCE UNDER
SECTION 108 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT
OF 1974, AS AMENDED, 42 U.S.C. §5308****For Series HUD 2011-A Certificates**

This Contract for Loan Guarantee Assistance ("Contract") is entered into by the City of Sacramento, California, (the "Unit of General Local Government"), the Sacramento Housing And Redevelopment Agency as designated public agency Borrower (the "Borrower"), and the Secretary of Housing and Urban Development ("Secretary"), as guarantor for the Guarantee made pursuant to section 108 ("Section 108") of title I of the Housing and Community Development Act of 1974, as amended (the "Act") and 24 CFR Part 570, Subpart M, of the promissory note executed contemporaneously herewith and numbered B-97-MC-06-0003, in the Aggregate Principal Amount of \$2,095,000, and any amended note or note issued in substitution for such note and having the same note number (the "Note"). This is one of multiple Contracts under the Funding Approval ("Commitment") of the same number, which was approved by the Secretary on _____.

Such Aggregate Principal Amount will be paid or credited to the account of the Borrower pursuant hereto (including any funds used to pay off prior interim notes refinanced by the Note), and all such amounts are collectively referred to herein as the "Guaranteed Loan Funds." The Note (including the Fiscal Agency Agreement and the Trust Agreement as defined in the Note and incorporated therein) is hereby incorporated into the Contract. Terms used in the Contract with initial capital letters and not otherwise defined in the text hereof shall have the respective meanings given thereto in the Note. The Fiscal Agency Agreement and the Trust Agreement are sometimes collectively referred to herein as the "Fiscal Agency/Trust Agreements," and the Fiscal Agent and the Trustee are sometimes collectively referred to as the "Fiscal Agent/Trustee."

The Borrower has been designated by the Unit of General Local Government to act as its designated public agency for purposes of issuance of the Note and the initial receipt, deposit and withdrawal of the Guaranteed Loan Funds in accordance with Part II of this Contract. Any agreement or obligation of the Borrower under this Contract shall also be deemed a joint and several agreement or obligation of the Unit of General Local Government for purposes of this Contract, 24 CFR Part 570, Subpart M, and the Act.

**PART I**

- A. **The Note.** The Note is payable to the Trustee as Registered Holder. On the Public Offering Date, it is expected that trust certificates backed by the Note and similar notes issued by other Section 108 borrowers, denominated "Section 108 Government Guaranteed Participation Certificates Series HUD 2011-A," will be purchased for a purchase price of the full Aggregate Principal Amounts thereof by underwriters selected by the Secretary (the "Underwriters") pursuant to an Underwriting Agreement between the Underwriters and the Secretary, at a closing on such Public Offering Date as determined by the Secretary and the Underwriters. The Borrower agrees that the interest rate at which the trust certificate of a specified maturity is sold to the Underwriters shall be the interest rate inserted on the Public Offering Date in Schedule P&I of the Note for the Principal Amount of corresponding maturity. The Note shall be effective as an obligation of the Borrower only upon its delivery by the Secretary to the Fiscal Agent/Trustee and sale to the Underwriters at the closing on the Public Offering Date. The Borrower authorizes the Secretary to deliver the Note, together with the Secretary's Guarantee thereof, to the Fiscal Agent/Trustee as of such closing on the Public Offering Date, in accordance with the Fiscal Agency/Trust Agreements. After the Public Offering Date, the Borrower agrees that the Trustee pursuant to the Trust Agreement will maintain the books and records of all payments on the Note and all Principal Amounts and interest rates on such Principal Amounts.
- B. **Consents.** By execution of this Contract, the Borrower ratifies and consents to the Secretary's selection of the Underwriters and authorizes the Secretary to negotiate with the Underwriters the terms of the Underwriting Agreement and of the public offering of interests in the trust certificates to investors (including the applicable interest rates). In addition, by execution hereof the Borrower ratifies and consents to the Secretary's selection of the Fiscal Agent/Trustee and agrees to the respective terms of the Fiscal Agency/Trust Agreements.
- C. **Prior Contracts.** As of the date of the Secretary's Guarantee of the Note, this Contract supersedes any prior Contract for Loan Guarantee Assistance entered into between the parties with respect to the Guaranteed Loan Funds, the

terms of the Secretary's Guarantee, and any other matter covered by this Contract, provided that any such prior Contract continues to govern any action taken by the Borrower, the Unit of General Local Government, or the Secretary pursuant thereto and prior to the Secretary's Guarantee of the Note (except for the provisions of paragraph 4 of this Contract). Notwithstanding the preceding sentence, if such prior Contract contained provisions for security for the benefit of the Secretary in addition to the security identified in paragraphs 5(a), 5(b), 5(d), or 5(e) hereof, which security may be generally set forth or incorporated in paragraph 5(c) (and any related provisions incorporated in paragraph 12) of such prior Contract, or may be set forth in paragraph 15 or any succeeding paragraphs (including related provisions incorporated in paragraph 12) of such prior Contract, such additional security provisions of the prior Contract are hereby incorporated in this Contract and shall be deemed a part hereof.

PART II

1. Receipt, Deposit and Use of Guaranteed Loan Funds.

(a) Except for fees and charges deducted on the Public Offering Date pursuant to paragraph 4(a) by the Fiscal Agent/Trustee, or funds used to pay off any interim note refinanced by the Note, the Guaranteed Loan Funds shall be electronically transferred in accordance with the Borrower's instructions for deposit in a separate, identifiable custodial account (the "Guaranteed Loan Funds Account") with a financial institution whose deposits or accounts are Federally insured. The Guaranteed Loan Funds Account shall be established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Account" (**Attachment 1**) and shall be continuously maintained for the Guaranteed Loan Funds. Such Letter Agreement must be executed when the Guaranteed Loan Funds Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.)

The Borrower shall make withdrawals from said account only for payment of the costs of Section 108 activities approved by HUD, for transfer to the Loan Repayment Account or for the temporary investment of funds pursuant to this paragraph 1(a). Such temporary investment of funds into the Guaranteed Loan Funds Investment Account shall be required within three

Business Days after the balance of deposited funds exceeds the amount of the Federal deposit insurance on the Guaranteed Loan Funds Account. At that time, any balance of funds in the Guaranteed Loan Funds Account exceeding such insurance coverage shall be fully (100%) and continuously invested in Government Obligations, as defined in paragraph 10 hereof, held in the Guaranteed Loan Funds Investment Account.

All temporary investments, whether or not required as above, shall be limited to Government Obligations having maturities that are consistent with the cash requirements of the approved activities. In no event shall the investments mature on or after N/A, or have maturities which exceed one year. All such investments shall be held in trust for the benefit of the Secretary by the above financial institution in an account (the "Guaranteed Loan Funds Investment Account") established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account" (**Attachment 2**), which account shall be maintained for all Government Obligations purchased with funds from the Guaranteed Loan Funds Account. The Guaranteed Loan Funds Investment Account need only be established if and when the Borrower is required to invest, or otherwise invests, the Guaranteed Loan Funds in Government Obligations. Such Letter Agreement must be executed when the Guaranteed Loan Funds Investment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) All proceeds and income derived from such investments shall be returned to the Guaranteed Loan Funds Account.

All funds in the Guaranteed Loan Funds Account or the Guaranteed Loan Funds Investment Account must be withdrawn and disbursed by the Borrower for approved activities by N/A. Any funds remaining in either Account after this date shall be immediately transferred to the Loan Repayment Account established pursuant to paragraph 6 of this Contract.

(b) The Borrower shall by the fifteenth day of each month provide the Secretary with a written statement showing the balance of funds in the Guaranteed Loan Funds Account and the withdrawals from such account during the preceding calendar month, and a statement identifying the obligations

and their assignments in the Guaranteed Loan Funds Investment Account, until such accounts are fully disbursed.

(c) Upon the Secretary giving notice that the Borrower is in Default under this Contract or the Note, all right, title, and interest of the Borrower and the Unit of General Local Government in and to the Guaranteed Loan Funds and Guaranteed Loan Funds Investment Accounts shall immediately vest in the Secretary for use in making payment on the Note, purchase of Government Obligations in accordance with paragraph 10, or payment of any other obligations of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, in each case as elected by the Secretary in his sole discretion.

2. **Payments Due on Note.** The Borrower shall pay to the Fiscal Agent/Trustee, as collection agent for the Note, all amounts due pursuant to the terms of the Note. In accordance with the Note and the Fiscal Agency/Trust Agreements, payment shall be made by 3:00 P.M. (New York City time) on the seventh Business Day (the "Note Payment Date") preceding the relevant Interest Due Date or Principal Due Date (each as defined in the Note). If any Note Payment Date falls on a day that is not a Business Day, then the required payment shall be made on the next Business Day. Payment may be made by check or wire transfer.

Upon final payment of all amounts due to Holders under the Note, including any payment made by the Secretary pursuant to the Guarantee, the Fiscal Agent/Trustee is required by the Fiscal Agency/Trust Agreements to return the Note to the Secretary. Upon final payment to the Secretary of any amounts due as a result of Guarantee Payments or otherwise due under this Contract, the Secretary will cancel and return the Note to the Borrower in discharge of the Borrower's obligations under the Note.

3. **Selection of New Fiscal Agent or Trustee.** The Secretary shall select a new Fiscal Agent or Trustee if the Fiscal Agent or Trustee resigns or is removed by the Secretary. The Borrower hereby consents in advance to any such selection and to any changes in the Fiscal Agency/Trust Agreements agreed to by any Fiscal Agent or Trustee and the Secretary, subject to paragraph 4(d) of this Contract.
4. **Payments Due Fiscal Agent or Trustee; Documents to the Secretary.**

(a) The Borrower agrees to pay the Borrower's share, as determined by the Secretary, of the customary and usual issuance, underwriting, and other costs related to the public offering and future administration of the Note and the trust certificates, as approved by the Secretary, including the cost of reimbursement and/or compensation of the Trustee pursuant to the Trust Agreement, including Sections 3.11 and 7.01 thereof. In connection with the public offering, such payment shall either be made by wire transfer to the Trustee on the day prior to the Public Offering Date or shall be deducted from the Guaranteed Loan Funds on the Public Offering Date.

(b) The Borrower shall submit to the Secretary not later than twelve (12) Business Days prior to the Public Offering Date applicable to the Note, this executed Contract, the executed Note, and an opinion acceptable to the Secretary from the Borrower's counsel to the effect that: (i) the governing body of the Borrower has authorized by resolution or ordinance, in accordance with applicable State and local law, the issuance of the Note and the execution of this Contract; (ii) the Note and this Contract are valid, binding, and enforceable obligations of the Borrower; (iii) the pledge of funds pursuant to 24 CFR §570.705(b)(2) and paragraph 5(a) of this Contract is valid and binding; and (iv) there is no outstanding litigation that will affect the validity of the Note or this Contract. At the same time, the Borrower shall submit an opinion acceptable to the Secretary from the Unit of General Local Government's counsel (which may be combined with the preceding opinion, if issued by the same counsel) to the effect that: (i) the governing body of the Unit of General Local Government has authorized this transaction by resolution or ordinance, in accordance with applicable State and local law, and has designated the Borrower to issue the Note and receive and administer the proceeds thereof; (ii) the pledge of funds pursuant to 24 CFR 570.705(b)(2) and this Contract is valid and binding; and (iii) there is no outstanding litigation that will affect the validity of this Contract. In addition, the Borrower or the Unit of General Local Government shall submit any other additional documents or opinions specifically required by this Contract (e.g., paragraph 5(c), or paragraph 15, et seq.), at the time required thereby.

(c) The Borrower and the Unit of General Local Government agree to reimburse the Underwriters upon demand by the

Secretary for the Borrower's share, as determined by the Secretary, of all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel) incurred in connection with a proposed public offering, if the Underwriters incur such additional costs for the public offering because the Borrower withdraws from the offering within ten Business Days of the Public Offering Date, or if the Borrower fails for any reason timely to submit in acceptable form any document required by this Contract (including paragraph 4(b)) to be submitted before the Public Offering Date. By execution and delivery of this Contract to the Secretary, the Borrower and the Unit of General Local Government hereby expressly authorize the Secretary to pay amounts due under this paragraph from funds pledged under paragraph 5(a) of this Contract.

(d) The undertakings in paragraphs 3 and 4 of this Contract are expressly subject to the requirement that the Fiscal Agency/Trust Agreements shall in no event require payment of fees or charges, reimbursement of expenses, or any indemnification by the Borrower (or the Unit of General Local Government, or the applicable State, if any) from any source other than funds or other security pledged pursuant to paragraphs D (if applicable), 5, or 15, *et seq.*, of this Contract.

5. **Security.** The Unit of General Local Government and the Borrower hereby pledge as security for repayment of the Note, and such other charges as may be authorized in this Contract, the following:

(a) All allocations or grants which have been made or for which the Unit of General Local Government or the Borrower may become eligible under Section 106 of the Act, as well as any grants which are or may become available to the Unit of General Local Government or the Borrower pursuant to Section 108(q).

(b) Program income, as defined at 24 CFR 570.500(a) (or any successor regulation), directly generated from the use of the Guaranteed Loan Funds.

(c) Other security as described in paragraph 15, *et seq.*, or incorporated herein by paragraph D hereof, as applicable.

(d) All proceeds (including insurance and condemnation proceeds) from any of the foregoing.

(e) All funds or investments in the accounts established pursuant to paragraphs 1 and 6 of this Contract.

6. **Loan Repayment Account.**

(a) All amounts pledged pursuant to paragraphs 5(b), 5(c), and 5(d) of this Contract shall be deposited immediately on receipt in a separate identifiable custodial account (the "Loan Repayment Account") with a financial institution whose deposits or accounts are Federally insured. The Loan Repayment Account shall be established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Account" (**Attachment 1**) and shall be maintained for such pledged funds. The Loan Repayment Account need only be established if and when the Borrower receives amounts pledged pursuant to paragraph 5(b), 5(c) or 5(d). Such Letter Agreement must be executed when the Loan Repayment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) Borrower shall make withdrawals from said account only for the purpose of paying interest and principal due on the Note (including the purchase of Government Obligations in accordance with paragraph 10 hereof), for payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, or for the temporary investment of funds pursuant to this paragraph, until final payment and discharge of the indebtedness evidenced by the Note, unless otherwise expressly authorized by the Secretary in writing. Such temporary investment of funds shall be required within three Business Days after the balance of deposited funds exceeds the amount of the Federal deposit insurance on the Loan Repayment Account. At that time, any balance of funds in the Loan Repayment Account exceeding such insurance coverage shall be fully (100%) and continuously invested in Government Obligations, as defined in paragraph 10 hereof.

All temporary investments, whether or not required as above, shall be limited to Government Obligations having maturities that are consistent with cash requirements for payment of principal and interest as required under the Note. In no event shall the maturities of such investments exceed one year. All such investments shall be held in trust for the benefit of the Secretary by the above financial institution in an account (the "Loan Repayment Investment Account")

established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account" (**Attachment 2**), which account shall be maintained for all Government Obligations purchased with funds from the Loan Repayment Account. Such Letter Agreement must be executed when the Loan Repayment Investment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) All proceeds and income derived from such investments shall be returned to the Loan Repayment Account.

(b) Borrower shall by the fifteenth day of each month, provide the Secretary with a written statement showing the balance of funds in the Loan Repayment Account and the deposits and withdrawals of all funds in such account during the preceding calendar month and a statement identifying the obligations and their assignments in the Loan Repayment Investment Account, for any month in which there are funds in such Accounts.

(c) Upon the Secretary giving notice that the Borrower is in Default under this Contract or the Note, all right, title, and interest of the Borrower and the Unit of General Local Government in and to the Loan Repayment and Loan Repayment Investment Accounts shall immediately vest in the Secretary for use in making payment on the Note, purchase of Government Obligations in accordance with paragraph 10, or payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, in each case as elected by the Secretary in his sole discretion.

7. **Use of CDBG, EDI or BEDI Funds for Repayment.** Any funds available to the Unit of General Local Government or the Borrower under Section 106 of the Act (including program income derived therefrom) are authorized to be used by the Borrower for payments due on the Note, Optional Redemption (as defined in the Note), payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, or the purchase of Government Obligations in accordance with paragraph 10. Any funds specifically available to the Unit of General Local Government or the Borrower for such payments or as a debt service reserve under an EDI Grant Agreement pursuant to Section 108(q) of the Act which supports the eligible project(s) and activities financed by the Note may also be used therefor; any other use of Section 108(q) funds for such purposes shall require the prior written approval of the

Secretary. Unless otherwise specifically provided herein or unless otherwise expressly authorized by the Secretary in writing, the Borrower shall substantially disburse funds available in the Loan Repayment or the Loan Repayment Investment Accounts before funds from grants under Section 106 of the Act are withdrawn from the U.S. Treasury for such purposes.

8. **Secretary's Right to Restrict Use of CDBG Funds to Repayment.** Upon a determination by the Secretary that payments required by paragraph 2 and/or paragraph 4 of this Contract are unlikely to be made as specified, the Secretary may give the Unit of General Local Government and/or the Borrower notice that the availability to the Unit of General Local Government or the Borrower of funds pledged under paragraph 5(a) of this Contract for purposes other than satisfaction of the pledge is being restricted. This restriction shall be in an amount estimated by the Secretary to be sufficient to ensure that the payments referred to in paragraph 2 and/or paragraph 4 hereof are made when due. This restriction may be given effect by conditioning the restricted amounts to prohibit disbursement for purposes other than satisfaction of the pledge at the time such restricted funds are approved as grants, by limiting the Unit of General Local Government's and the Borrower's ability to draw down or expend the restricted funds for other purposes, and by disapproving payment requests submitted with respect to such grants for purposes other than satisfaction of the pledge.
9. **Secretary's Right to Use Pledged Funds for Repayment.** The Secretary may use funds pledged under paragraph 5(a) of this Contract or funds restricted under grants pursuant to paragraph 8 of this Contract to make any payment required of the Borrower under paragraph 2 and/or paragraph 4, if such payment has not been timely made by the Borrower.
10. **Defeasance.** For purposes of this Contract, the Note shall be deemed to have been paid (defeased) if there shall have been deposited with the Trustee either moneys or Government Obligations (defined below), which in the sole determination of the Secretary, mature and bear interest at times and in amounts sufficient, together with any other moneys on deposit with the Trustee for such purpose, to pay when due the principal and interest to become due on the Note. The Aggregate Principal Amount of the Note or any unpaid Principal Amount may be so defeased, in whole or in part, as of any Interest Due Date, or any other Business Day acceptable to both HUD and the Borrower. In accordance with the Note and the Trust Agreement, the

Borrower shall give timely notice and written instructions to the Secretary and the Trustee concerning any principal amounts proposed to be defeased, including any Optional Redemptions proposed, which instructions shall be approved by the Secretary. If the unpaid Aggregate Principal Amount of the Note guaranteed pursuant to this Contract shall be defeased and deemed to have been paid in full, then the Borrower and the Unit of General Local Government shall be released from all agreements, covenants, and further obligations under the Note.

"Government Obligation" means a direct obligation of, or any obligation for which the full and timely payment of principal and interest is guaranteed by, the United States of America, including but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds - State and Local Government Series or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and has capital and surplus (exclusive of undivided profits) in excess of \$100,000,000.

11. Default.

(a) A Default under the Note and this Contract shall occur upon failure by the Borrower or the Unit of General Local Government to:

(i) pay when due an installment of principal or interest on the Note; or (ii) punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in: (A) this Contract, (B) any security agreement, deed of trust, mortgage, assignment, guarantee, or other contract securing payment of indebtedness evidenced by the Note, or (C) any future amendments, modifications, restatements, renewals, or extensions of any such documents.

(b) The Borrower and the Unit of General Local Government waive notice of Default and opportunity for hearing with respect to a Default under paragraph 11(a).

(c) In addition to Defaults under paragraph 11(a), the Secretary may declare the Note in Default if the Secretary makes a final decision in accordance with the provisions of

section 111 of the Act and 24 CFR 570.913 (or any successor provisions), including requirements for reasonable notice and opportunity for hearing, that the Borrower or the Unit of General Local Government has failed to comply substantially with title I of the Act. Notwithstanding any other provision, following the giving of such reasonable notice, the Secretary may, in the Secretary's sole discretion pending the Secretary's final decision, withhold the guarantee of any or all obligations not yet guaranteed on behalf of the Borrower or the Unit of General Local Government under outstanding commitments, and/or direct the Borrower's financial institution to: refuse to honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account initiated by the Borrower, and/or refuse to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account.

12. Remedial Actions. Upon a Default or declaration of Default under this Contract, the Secretary may, in the Secretary's sole discretion, take any or all of the following remedial actions:

(a) With any funds or security pledged under this Contract, the Secretary may (i) continue to make payments due on the Note, (ii) make an acceleration payment with respect to the principal amount of the Note subject to Optional Redemption as provided in Section B of the Note, (iii) purchase Government Obligations in accordance with paragraph 10 of this Contract, (iv) pay any interest due for late payment as provided in the Note, this Contract, or the Fiscal Agency/Trust Agreements, (v) pay any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, and/or (vi) pay any reasonable expenses incurred by the Secretary or the Fiscal Agent/Trustee as result of the Borrower's Default.

(b) The Secretary may withhold the guarantee of any or all obligations not yet guaranteed or the disbursement of any or all grants not yet disbursed in full under outstanding guarantee commitments or grant approvals for the Borrower or the Unit of General Local Government under Sections 108 and/or 106 of the Act.

(c) The Secretary may direct the Borrower's financial institution to: refuse to honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account by the Borrower, and/or refuse to release

obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account; and/or direct the Borrower and/or the Borrower's financial institution to transfer remaining balances from the Guaranteed Loan Funds Account to the Loan Repayment Account.

(d) With respect to amounts subject to Optional Redemption, the Secretary may accelerate the Note.

(e) The Secretary may exercise any other appropriate remedies or sanctions available by law or regulation applicable to the assistance provided under this Contract, or may institute any other action available under law, to recover Guaranteed Loan Funds or to reimburse the Secretary for any payment under the Secretary's Guarantee or any reasonable expenses incurred by the Secretary as a result of the Default.

(f) All notices and submissions provided for hereunder shall be in writing (including by telex, telecopier or any other form of facsimile communication) and mailed or sent or delivered, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the other party hereto. All such notices and other communications shall be effective when received as follows:

(i) if sent by hand delivery, upon delivery; (ii) if sent by mail, upon the earlier of the date of receipt or five Business Days after deposit in the mail, postage prepaid; (iii) if sent by telex, upon receipt by the sender of an answer back; and (iv) if sent by telecopier, upon confirmed receipt.

The Secretary:

U.S. Dept. of Housing and Urban Development
Attention: Paul Webster, Director
Financial Management Division
451 7th Street SW, Room 7180
Washington, DC 20410

Borrower:

Sacramento Housing and Redevelopment Agency
801 12th Street
Sacramento, CA 95814
Attention: LaShelle Dozier

Unit of General Local Government:

City of Sacramento
915 I Street
Sacramento, CA 95814

13. **Limited Liability.** Notwithstanding any other provision of this Contract, the Fiscal Agency/Trust Agreements or the Note, any recovery against the Borrower or the Unit of General Local Government for any liability for amounts due pursuant to the Note, the Fiscal Agency/Trust Agreements and this Contract shall be limited to the sources of security pledged in paragraphs D., 5 or any Special Conditions of this Contract, as applicable. Neither the general credit nor the taxing power of the Borrower or the Unit of General Local Government, or of the State in which the Borrower is located, is pledged for any payment due under the Note, the Contract, or the Fiscal Agency/Trust Agreements.
14. **Incorporated Grant Agreement.** The Contract and the Note are hereby incorporated in and made a part of the Grant Agreement authorized by the Secretary on under the Funding Approval for grant number B-97-MC-06-0003 to the Unit of General Local Government. In carrying out activities with the Guaranteed Loan Funds hereunder, the Borrower and the Unit of General Local Government agree to comply with the Act and 24 CFR Part 570, as provided in Subpart M thereof.
15. **Special Conditions and Modifications:**
 - (a) The Guaranteed Loan Funds shall be used only to prepay principal amounts payable on or after February 1, 2012, under that certain promissory note issued by the Borrower and identified as Note Number B-97-MC-06-0003, dated 2001-A. The Guaranteed Loan Funds shall be deposited in a defeasance account established with the Trustee pursuant to the Contract for Loan Guarantee Assistance executed in connection with the issuance of such promissory note. The Borrower agrees to pay to the Trustee moneys in an amount equal to the amount of principal and interest to become due on such promissory note on August 1, 2011 for deposit in such defeasance account. Such payment shall be in addition

to any payment required under paragraph 4(a) of this Contract and shall be made by wire transfer to the Trustee on the day prior to the Public Offering Date. In addition to the Secretary's rights under paragraph 9 of this Contract, the Secretary may use funds pledged under paragraph 5(a) of this Contract or funds restricted under grants pursuant to paragraph 8 of this Contract to make any payment required of the Borrower under this paragraph 15(a), if such payment has not been timely made by the Borrower.

(b) Additional Grounds for Default. Notice of Default. Restriction of Pledged Grants. Availability of Other Remedial Actions.

(i) The Borrower and the Unit of General Local Government acknowledge and agree that the Secretary's guarantee of the Note is made in reliance upon the availability of grants pledged pursuant to paragraph 5(a) (individually, a "Pledged Grant" and, collectively, the "Pledged Grants") in any Federal fiscal year subsequent to the Federal fiscal year ending September 30, 2012 to: (A) pay when due the payments to become due on the Note, or (B) defease (or, if permitted, prepay) the full amount outstanding on the Note. The Borrower and the Unit of General Local Government further acknowledge and agree that if the Secretary (in the Secretary's sole discretion) determines that Pledged Grants are unlikely to be available for either of such purposes, such determination shall be a permissible basis for any of the actions specified in paragraphs (ii) and (iii) below (without notice or hearing, which the Borrower and the Unit of General Local Government expressly waive).

(ii) Upon written notice from the Secretary to the Borrower and the Unit of General Local Government at the address specified in paragraph 12(f) above that the Secretary (in the Secretary's sole discretion) has determined that Pledged Grants are unlikely to be available for either of the purposes specified in (A) and (B) of paragraph (i) above (such notice being hereinafter referred to as the "Notice of Impaired Security"), the Secretary may limit the availability of Pledged Grants by withholding amounts at the time a Pledged Grant is

approved or by disapproving payment requests (drawdowns) submitted with respect to Pledged Grants.

- (iii) If after 60 days from the Notice of Impaired Security the Secretary (in the Secretary's sole discretion) determines that Pledged Grants are still unlikely to be available for either of the purposes specified in (A) and (B) of paragraph (i) above, the Secretary may declare the Note in Default and exercise any and all remedies available under paragraph 12. This paragraph (iii) shall not affect the right of the Secretary to declare the Note and/or this Contract in Default pursuant to paragraph 11 and to exercise in connection therewith any and all remedies available under paragraph 12.
- (iv) All notices and submissions provided for hereunder shall be submitted as directed in paragraph 12(f) above.

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THE UNDERSIGNED, as authorized officials on behalf of the Unit of General Local Government, the Borrower or the Secretary, respectively, have executed this Contract for Loan Guarantee Assistance, which shall be effective upon delivery of the Note and Guarantee as of the Public Offering Date (except that paragraphs 4 and 15(a) hereof shall be effective when this Contract is executed on behalf of the Borrower and Unit of General Local Government and delivered to the Secretary).

The Sacramento Housing And
Redevelopment Agency
BORROWER

BY:

(Signature)

LaShelle Dozier

(Name)

Executive Director

(Title)

Date:

UNIT OF GENERAL LOCAL GOVERNMENT

BY:

(Signature)

Kevin Johnson

(Name)

Mayor of Sacramento

(Title)

Date:

SECRETARY OF HOUSING AND URBAN
DEVELOPMENT

BY:

(Signature)

Yolanda Chávez

(Name)

Deputy Assistant Secretary
for Grant Programs

(Title)

Date: _____