

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATINGS: Series 2013A Bonds: Fitch Ratings: "AAA"  
Series 2013B Bonds: Fitch Ratings: "AAA"  
See "RATINGS" herein.**

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes and is neither a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax. Bond Counsel is of the further opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2013B Bonds is included in gross income for federal income tax purposes. Under the Illinois Housing Development Act, in its present form, the Bonds and all income from the Bonds are free from all taxation by the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes. For a more complete description, see the caption "TAX MATTERS" herein.*



**\$100,000,000  
ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
HOUSING REVENUE BONDS**

*consisting of*

**\$78,750,000**

**HOUSING REVENUE BONDS, SERIES 2013A  
(MBS PASS-THROUGH PROGRAM)**

**and**

**\$21,250,000**

**FEDERALLY TAXABLE HOUSING REVENUE BONDS, SERIES 2013B  
(MBS PASS-THROUGH PROGRAM)**

**Dated: April 1, 2013**

**Due: See inside cover**

The Illinois Housing Development Authority (the "Authority"), a body politic and corporate of the State of Illinois, is issuing \$100,000,000 in aggregate principal amount of its Housing Revenue Bonds consisting of Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program), in the aggregate principal amount of \$78,750,000 (the "Series 2013A Bonds"), and Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program), in the aggregate principal amount of \$21,250,000 (the "Series 2013B Bonds" and, together with the Series 2013A Bonds, the "Bonds"). The Bonds are being issued pursuant to the terms of a Trust Indenture, dated as of April 1, 2013 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as trustee, registrar and paying agent (the "Trustee"). The Authority is using the proceeds of the Bonds, together with other funds of the Authority, to: (i) purchase (or reimburse the Authority for purchasing) certain Mortgage-Backed Securities as described herein; and (ii) pay certain costs of issuing the Bonds. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings assigned to such terms in the Indenture, the form of which is attached hereto as **APPENDIX E**.

The Bonds are the only obligations being issued pursuant to the Indenture and no additional bonds may be issued pursuant thereto. The Bonds mature on the dates and in the amounts, and bear interest at the rates, listed on the Maturity Schedule set forth on the inside front cover hereof. The Bonds are being issued in book-entry form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of Bonds will be made in amounts equal to the principal amount of each maturity thereof through brokers and dealers who are, or who act through, DTC Direct Participants. So long as DTC or its nominee is the registered owner of the Bonds, payments and prepayments of the principal of, the interest on, and the redemption price of, the Bonds will be made by the Trustee on behalf of the Authority to DTC. In each case, DTC will remit such payments in accordance with DTC's procedures as described herein. For a description of DTC's book-entry only system, see "**APPENDIX C - BOOK-ENTRY ONLY SYSTEM**."

Interest on the Bonds is payable on the first day of each month commencing May 1, 2013 (each an "Interest Payment Date"), and, in respect of any Bonds then to be redeemed, on the redemption date. Interest on the outstanding principal amount of the Bonds shall accrue at the respective rates set forth on the inside cover page from April 1, 2013 until maturity or prior redemption and shall be payable on the Interest Payment Date of the immediately succeeding month, provided that interest accrued from April 1, 2013 to April 23, 2013 shall be payable on May 1, 2013. See "**THE BONDS - Payment Provisions**."

THE BONDS ARE SUBJECT TO PREPAYMENT AND REDEMPTION PRIOR TO THEIR RESPECTIVE STATED MATURITIES AT THE TIMES, UNDER THE CONDITIONS AND AT THE PRICES AS SET FORTH HEREIN. See "**THE BONDS - Prepayment and Redemption Provisions**" herein.

**THE BONDS OF EACH SERIES ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY OUT OF THE PLEDGED REVENUES AND OTHER MONEYS PLEDGED THEREFOR PURSUANT TO THE INDENTURE, WHICH CONSIST OF PAYMENTS ON GNMA MORTGAGE-BACKED SECURITIES OR FNMA MORTGAGE-BACKED SECURITIES RELATED THERETO AND ACQUIRED WITH PROCEEDS OF SUCH BONDS. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR GENERAL OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. SECTION 26.1 OF THE ILLINOIS HOUSING DEVELOPMENT ACT DOES NOT APPLY TO THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, ARE NOT A DEBT OF EITHER THE UNITED STATES OF AMERICA OR ANY AGENCY THEREOF OR OF GNMA OR FNMA, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.**

*The Bonds are offered in book-entry form, when, as and if issued by the Authority and accepted by the Underwriters named herein, subject to the approval of legality by Kutak Rock LLP, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the Authority by its General Counsel, Maureen G. Ohle, Esq., and by its counsel, Schiff Hardin LLP, and for the Underwriters by Burke Burns & Pinelli, Ltd. It is expected that delivery of the Bonds will be made in New York, New York on or about April 24, 2013.*

**RBC CAPITAL MARKETS**

**GEORGE K. BAUM & COMPANY**

**MESIROW FINANCIAL, INC.**

**RAYMOND JAMES**

This Official Statement is dated March 7, 2013.

**MATURITY SCHEDULE**

**\$100,000,000**  
**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**HOUSING REVENUE BONDS**

**\$78,750,000**  
**HOUSING REVENUE BONDS, SERIES 2013A**  
**(MBS PASS-THROUGH PROGRAM)**

**\$78,750,000 2.45% Term Bonds due June 1, 2043, Price: 100.00%**  
**CUSIP<sup>1</sup>: 45201Y YK7**

**\$21,250,000**  
**FEDERALLY TAXABLE HOUSING REVENUE BONDS, SERIES 2013B**  
**(MBS PASS-THROUGH PROGRAM)**

**\$21,250,000 2.75% Term Bonds due June 1, 2043, Price: 100.00%**  
**CUSIP<sup>1</sup>: 45201Y YL5**

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<sup>1</sup> The CUSIP number has been assigned by an organization not affiliated with the Authority and is included for the convenience of the owners of the Bonds. The Authority is not responsible for the selection or uses of the CUSIP number nor is any representation made as to its correctness on the Bonds. A CUSIP number may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Authority, DTC, the Master Servicer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR PURSUANT TO THE LAWS OF ANY STATE. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES UNDER FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED WITHOUT NOTICE.

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## OFFICIAL STATEMENT

**\$100,000,000**

### **ILLINOIS HOUSING DEVELOPMENT AUTHORITY HOUSING REVENUE BONDS**

*consisting of*

**\$78,750,000**

### **HOUSING REVENUE BONDS, SERIES 2013A (MBS PASS-THROUGH PROGRAM)**

and

**\$21,250,000**

### **FEDERALLY TAXABLE HOUSING REVENUE BONDS, SERIES 2013B (MBS PASS-THROUGH PROGRAM)**

## INTRODUCTORY STATEMENT

The purpose of this Official Statement is to set forth information concerning the Illinois Housing Development Authority (the “**Authority**”), a body politic and corporate of the State of Illinois (the “**State**”), in connection with the issuance and sale \$100,000,000 in aggregate principal amount of its Housing Revenue Bonds consisting of Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program), in the aggregate principal amount of \$78,750,000 (the “**Series 2013A Bonds**”), and Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program), in the aggregate principal amount of \$21,250,000 (the “**Series 2013B Bonds**” and, together with the Series 2013A Bonds, the “**Bonds**”).

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. The Authority has no duty, obligation or expectation to update any of the information contained in this Official Statement.

Information set forth on the cover page and the inside cover page hereof and in the Appendices hereto is part of this Official Statement. ALL CAPITALIZED TERMS USED IN THIS OFFICIAL STATEMENT AND NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS ASSIGNED TO SUCH TERMS IN THE INDENTURE (AS HEREAFTER DESCRIBED), THE FORM OF WHICH IS ATTACHED HERETO AS **APPENDIX E**.

The Bonds are being issued pursuant to the Illinois Housing Development Act, 20 ILCS 3805/1 et seq., as amended, a resolution adopted by the Authority on February 15, 2013 and a Trust Indenture dated as of April 1, 2013 (the “**Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, registrar and paying agent (the

“Trustee”), whose corporate trust office is located in Chicago, Illinois. The Bonds are the only obligations being issued pursuant to the Indenture and no additional bonds may be issued pursuant thereto.

To provide residential housing facilities for low- and moderate-income families and persons within the State who are eligible under the Act, the Authority has developed a program (as more fully described herein, the “**Program**”) pursuant to which the Authority will issue its revenue bonds to provide funds to acquire (or to reimburse the Authority for acquiring) fully modified pass through mortgage-backed securities (the “**Mortgage-Backed Securities**”), which Mortgage-Backed Securities are guaranteed by the Government National Mortgage Association (“**GNMA**”) or Federal National Mortgage Association (“**FNMA**”) and backed by qualified home mortgage loans (the “**Mortgage Loans**”) made to qualified low- and moderate-income persons for the purchase of owner-occupied (one- to four-unit) residences located within the State. For more information concerning the Program, see “**THE PROGRAM**” herein.

Mortgage-Backed Securities guaranteed by GNMA (“**GNMA Mortgage-Backed Securities**”) are backed by Mortgage Loans which are (i) insured by the Federal Housing Administration (“**FHA**”) pursuant to the National Housing Act of 1934, (ii) guaranteed by the United States Department of Veterans Affairs (“**VA**”) pursuant to the Servicemen’s Readjustment Act of 1944, as amended, or (iii) guaranteed by Rural Development acting through the United States Department of Agriculture (“**USDA/RD**”). Mortgage-Backed Securities guaranteed by FNMA (“**FNMA Mortgage-Backed Securities**”) are backed by Mortgage Loans which are insured by a private mortgage insurance policy (if in an amount in excess of certain loan-to-value ratios). For a more detailed description of GNMA, GNMA Mortgage-Backed Securities, FNMA and FNMA Mortgage-Backed Securities, see “**GNMA and the GNMA Mortgage-Backed Securities**” and “**FNMA and the FNMA Mortgage-Backed Securities**” contained in **APPENDIX A – “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS.”**

Acting pursuant to that certain Master Servicing Agreement, dated as of April 14, 2009, as amended, for reservations prior to October 8, 2012 (the “**Original Master Servicing Agreement**”), and pursuant to that certain Master Servicing Agreement, dated October 9, 2012 for reservations after October 8, 2012 (the “**New Master Servicing Agreement**” and, collectively with the Original Master Servicing Agreement, the “**Master Servicing Agreement**”), between the Authority and U.S. Bank National Association (the “**Master Servicer**”), the Master Servicer has purchased Mortgage Loans from those qualified mortgage lending institutions participating in the Program (each a “**Participant**”). The Master Servicer has issued the GNMA Mortgage-Backed Securities or acquired the FNMA Mortgage-Backed Securities with respect to such Mortgage Loans. The Master Servicer is required to be an FHA-, VA- and USDA/RA-approved mortgagee, an approved issuer of GNMA Mortgage-Backed Securities and a FNMA-approved seller and servicer of FNMA Mortgage-Backed Securities.

In order to finance the Program, the Authority issues, from time to time, its bonds and other obligations, pursuant to one or more indentures or resolutions. The Authority is issuing the Bonds pursuant to the Indenture to provide funds to be used by the Trustee, along with certain contributed funds of the Authority, to reimburse the Authority for purchasing two separate pools of GNMA Mortgage-Backed Securities and FNMA Mortgage-Backed Securities on behalf of the



Authority for the benefit of the Bondholders (the “**Series 2013A Mortgage-Backed Securities**,” the “**Series 2013B Mortgage-Backed Securities**” and, collectively, the “**Series 2013A/B Mortgage-Backed Securities**”).

The Series 2013A/B Mortgage-Backed Securities will consist of two separate pools of Mortgage-Backed Securities previously purchased by the Authority. Each pool of Mortgage-Backed Securities will be pledged under the Indenture to only one Series of the Bonds. The Owner of Bonds of one Series shall have no rights with respect to the Mortgage-Backed Securities pledged as security for the Bonds of the other Series.

As of March 7, 2013, the Authority had acquired 18 GNMA Mortgage-Backed Securities in an outstanding principal amount of approximately \$41.2 million with an average Pass-Through Rate of 3.34% and 12 FNMA Mortgage-Backed Securities in an outstanding principal amount of approximately \$7.4 million with an average Pass-Through Rate of 3.39%. These GNMA Mortgage-Backed Securities and FNMA Mortgage-Backed Securities are expected to be part of the Series 2013A Mortgage-Backed Securities pledged under the Indenture for the benefit of the Series 2013A Bonds. The remaining Series 2013A Mortgage-Backed Securities that are to be pledged under the Indenture for the benefit of the Series 2013A Bonds will be GNMA Mortgage-Backed Securities or FNMA Mortgage-Backed Securities with a Pass-Through Rate of not less than 2.5%. No more than 20% of the outstanding principal amount of Series 2013A Mortgage-Backed Securities will be FNMA Mortgage-Backed Securities. The Authority will file with the Municipal Securities Rulemaking Board (the “**MSRB**”), through its Electronic Municipal Market Access system for municipal securities disclosure (“**EMMA**”), a document identifying the Series 2013A Mortgage-Backed Securities by CUSIP number, Pool number, Pass-Through Rate and outstanding principal amount no later than two Business Days after the date of issuance of the Series 2013A Bonds.

As of March 7, 2013, the Authority had acquired 11 GNMA Mortgage-Backed Securities in an outstanding principal amount of approximately \$25.2 million with an average Pass-Through Rate of 2.95% and 10 FNMA Mortgage-Backed Securities in an outstanding principal amount of approximately \$3.2 million with an average Pass-Through Rate of 3.24%. A portion of these GNMA Mortgage-Backed Securities and FNMA Mortgage-Backed Securities equal to the principal amount of the Series 2013B Bonds when issued are expected to constitute the Series 2013B Mortgage-Backed Securities pledged under the Indenture for the benefit of the Series 2013B Bonds. No more than 15% of the outstanding principal amount of Series 2013B Mortgage-Backed Securities will be FNMA Mortgage-Backed Securities. The Authority will file with the MSRB, through EMMA, a document identifying the Series 2013B Mortgage-Backed Securities by CUSIP number, Pool number, Pass-Through Rate and outstanding principal amount no later than two Business Days after the date of issuance of the Series 2013B Bonds.

The Authority will direct the Trustee to apply the proceeds of the Bonds, together with other funds of the Authority, to: (i) to reimburse the Authority for acquiring the Series 2013A/B Mortgage-Backed Securities; and (ii) pay certain costs of issuing the Bonds. The aggregate principal amount of the Series 2013A/B Mortgage-Backed Securities will be equal to the stated principal amount of the Bonds. So long as no Event of Default exists with respect to the Bonds, all interest and Mortgage Repayments (including scheduled principal payments and

prepayments) received by the Trustee from each pool of Series 2013A/B Mortgage-Backed Securities will be sufficient to pay debt service on the related Series of Bonds. The interest and Mortgage Repayments from the pool of Series 2013A/B Mortgage-Backed Securities related to one Series of Bonds are not available to pay debt service on the other Series of Bonds.

The Bonds are limited obligations of the Authority, payable solely from specific assets and other moneys pledged therefor pursuant to the Indenture. Such assets and moneys consist of (i) the Series 2013A Mortgage-Backed Securities and all payments received with respect thereto with respect to the Series 2013A Bonds, and (ii) the Series 2013B Mortgage-Backed Securities and all payments received with respect thereto with respect to the Series 2013B Bonds. The Authority may not issue any additional bonds under the Indenture. See “**THE BONDS – General**” and “**SECURITY FOR THE BONDS**” herein and also **APPENDIX A** – “**SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS.**”

THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR GENERAL OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. SECTION 26.1 OF THE ILLINOIS HOUSING DEVELOPMENT ACT DOES NOT APPLY TO THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY, ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY THEREOF OR OF GNMA OR FNMA AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

The Indenture and the Bonds are one of a number of bond programs that have been utilized by the Authority to finance its Program. The financing activities of the Authority with respect to Mortgage Loans financed under prior bond resolutions, prior indentures and subsequent indentures other than the Indenture are referred to herein as the Authority’s “**Other Single Family Bond Programs.**” MORTGAGE LOANS AND MORTGAGE-BACKED SECURITIES PURCHASED WITH PROCEEDS OF BONDS RELATED TO OTHER SINGLE FAMILY BOND PROGRAMS AND OTHER OBLIGATIONS RELATING THERETO AND THE FUNDS AND ACCOUNTS WHICH SECURE SUCH OBLIGATIONS ARE NOT PLEDGED AS SECURITY FOR THE BONDS. NONE OF THE ASSETS AND MONEYS HELD UNDER THE INDENTURE IS PLEDGED TO ANY BONDS OR OTHER OBLIGATIONS ISSUED IN CONNECTION WITH SUCH OTHER SINGLE FAMILY BOND PROGRAMS.

Brief descriptions of the Authority, the Bonds, the security for the Bonds, the Program, GNMA, FNMA, the Series 2013A/B Mortgage-Backed Securities and the Master Servicer are included in this Official Statement. The summaries herein do not purport to be complete and are qualified in their entirety by reference to such documents, agreements and programs, and the summaries herein of the Bonds are further qualified in their entirety by reference to the forms of the Bonds included in the Indenture and the provisions with respect thereto included in the aforesaid documents, copies of which are available for inspection at the corporate trust office of the Trustee in Chicago, Illinois. The form of the Indenture is set forth in its entirety as **APPENDIX E** hereto.

## THE ILLINOIS HOUSING DEVELOPMENT AUTHORITY

### **Powers and Duties**

The Authority is a body politic and corporate of the State created by the Illinois Housing Development Act, 20 ILCS 3805/1 et seq., as amended from time to time (the “**Act**”), for the purposes of assisting in the financing of decent, safe and sanitary housing for persons and families of low and moderate income in the State and assisting in the financing of residential mortgages in the State. To accomplish its purposes, the Authority is authorized by the Act to make mortgage or other loans to nonprofit corporations and limited-profit entities for the acquisition, construction or rehabilitation of dwelling accommodations, to make loans for housing related commercial facilities, to issue or provide for the issuance of obligations secured by or representing an ownership interest in residential mortgages, to acquire and to contract and enter into advance commitments to acquire residential mortgage loans from lending institutions, and to develop and own rental housing developments. The Act also authorizes the Authority to issue its bonds and notes to fulfill its corporate purposes, including the financing of mortgage and construction loans, the acquisition of residential mortgage loans, the making of loans for housing related commercial facilities, and the refunding of bonds and notes previously issued to finance mortgage and construction loans. The Authority has issued various bonds and notes to finance mortgage loans and construction loans, to purchase residential mortgage loans from lending institutions and to make loans to private lending institutions for making new residential mortgage loans.

The Authority has the power under the Act to have up to \$3,600,000,000 of bonds and notes outstanding, excluding those issued to refund its outstanding bonds and notes. As of December 31, 2012, the Authority had debt outstanding in the amount of \$1,637,316,626 which consisted of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for \$380,067,439 of the total as of that same date.

### **Membership**

The Authority consists of nine Members appointed by the Governor of the State (the “**Governor**”) with the advice and consent of the State Senate. The Act provides that not more than three Members shall be from any one county in the State, not more than five shall be of any one political party, and at least one shall be a person of age 60 or older. Members hold office from the second Monday in January of the year of their respective appointments for a term of four years and until their successors are appointed and qualified. The concurrence of five Members is required for action by the Authority. The Governor designates a Chairperson from among the Members, and the Chairperson is considered to be a Member for purpose of concurrence. The Chairperson is the Authority’s chief executive officer. The Members of the Authority serve without compensation. The Authority has determined by resolution to indemnify its Members and officers for any actions taken or omitted to be taken in performing their duties, except actions or omission which constitute gross negligence or malfeasance.

The Members of the Authority are:

<u>Member</u>	<u>Office</u>
Terry E. Newman	Chairman – Partner, Katten Muchin Rosenman LLP
Karen Davis	Vice Chair – Principal, Community Frameworks, LLC
Mary Kane	Treasurer – Senior Vice President, Stifel, Nicolaus & Company, Inc.
Cristina Castro	Member – Community Relations Specialist, Elgin Community College
William J. Malleris	Member – Developer (retired)
Melody Reynolds	Member – Owner, Captured by Melody (Photography Service)
Deborah H. Telman	Member – Division Counsel, Abbot Laboratories
Salvatore Tornatore	Member – Principal, Tornatore Law Office

There is currently one vacancy in the Authority’s membership and the office of Secretary is currently vacant.

### **Management**

The Authority employs a staff of approximately 273 persons, including persons who have experience and responsibilities in the areas of finance, accounting, law, mortgage loan underwriting, loan servicing, housing development, market analysis, construction, housing marketing and housing management. Certain members of the senior staff of the Authority are listed below.

**Mary R. Kenney**, Executive Director, was appointed by the Authority’s Members in March 2011. Prior to this appointment, she served for over ten years as the Authority’s General Counsel and also acted as Assistant Executive Director. She is a long time, committed advocate of affordable housing having previously served the Authority in the late nineteen eighties as a Portfolio Administrator in the Authority’s Single Family department. Ms. Kenney left the Authority to attend the University of Wisconsin Law School, eventually earning her law degree from Loyola University of Chicago School of Law. In 1994, she joined the law firm of Johnson & Bell specializing in litigation. She also holds a Bachelor of Science degree in Finance from DePaul University, where she concentrated in real estate and graduated with honors.

**Bryan Zises**, Assistant Executive Director and Chief of Staff, returned to the Authority in May 2011. Mr. Zises oversees programmatic and personnel aspects of the Authority. He obtained a depth of affordable housing finance knowledge from his previous roles as Public Affairs Director at the Authority from 2003 to 2006, as well as Communications Director at the Chicago Housing Authority, one of the largest public housing authorities in the nation. Mr. Zises is a skilled public relations and communications specialist with more than twenty years’ experience in public finance, political campaigns, government and media production. He holds a Bachelor of Arts degree in Political Science from the University of Chicago and a Master of Fine Arts degree in Film with a focus on marketing, management and creative development from the University of Southern California.

**Hazim Taib**, Chief Financial Officer and Assistant Treasurer, has been with the Authority since 1998 and was named Chief Financial Officer and Assistant Treasurer in April 2011. He

has also served as the Authority's Deputy Chief Financial Officer and Director of Structured Finance. His current responsibilities include overseeing the Authority's assets and liabilities, designing and executing investment strategies, and managing its capital budget along with its credit risk and rating. Mr. Taib has extensive experience in bond structuring, cash modeling, tax exempt issuances and managing the requirements of the credit rating agencies. Mr. Taib holds a Master of Business Administration degree with emphasis in Statistics, a Bachelor of Science degree in Finance from Indiana State University and a diploma in Public Administration from Universiti Teknologi Mara, Malaysia.

**Maureen G. Ohle**, General Counsel and Assistant Secretary, joined the Authority in November 2010 as Senior Counsel and was promoted to General Counsel in August 2011. Before joining the Authority, she worked in the real estate group at Sidley Austin LLP, practicing out of the firm's Chicago office. Prior to this, she worked for J.P. Morgan Chase Bank, N.A. in the commercial mortgage-backed securities group, having started her career at Sidley Austin's Washington, D.C. office from 2001 to 2007. Maureen holds a Bachelor of Arts degree in Political Studies from the University of Illinois-Springfield and a Juris Doctorate degree from The Catholic University of America Columbus School of Law.

**Michele Williams**, Controller joined the Authority in May 2010. Michele is a Certified Public Accountant with over fifteen years' experience in accounting, budgeting and tax preparation for small businesses, industry and not-for-profit companies. Prior to working full-time as an independent financial consultant, Ms. Williams worked for PricewaterhouseCoopers in the Tax Products Delivery department conducting tax savings studies. Ms. Williams has a Bachelor of Science degree in Accounting from the University of Illinois at Urbana-Champaign.

The offices of the Authority are located at 401 North Michigan Avenue, Suite 700, Chicago, Illinois 60611. The telephone number of the Authority is (312) 836-5200.

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## SOURCES AND USES OF FUNDS

Upon the issuance of the Bonds, it is anticipated that there will be deposited with the Trustee the proceeds of the Bonds and other funds and assets of the Authority which are expected to be used as follows:

	<u>Series 2013A</u>	<u>Series 2013B</u>	<u>Total</u>
<b>Sources:</b>			
Par amount of the Bonds .....	\$78,750,000.00	\$21,250,000.00	\$100,000,000.00
Accrued interest on the Bonds (April 1 through April 23).....	123,265.63	37,335.07	160,600.70
Cash contribution from the Authority .....	<u>622,302.88</u>	<u>175,849.38</u>	<u>798,152.26</u>
<b>Total Sources</b> .....	<b><u>\$79,495,568.51</u></b>	<b><u>\$21,463,184.45</u></b>	<b><u>\$100,958,752.96</u></b>
<b>Uses:</b>			
Deposit to Series 2013A Acquisition Fund	\$78,750,000.00	–	\$78,750,000.00
Deposit to Series 2013B Acquisition Fund	–	\$21,250,000.00	21,250,000.00
Accrued interest on the Bonds (April 1 through April 23) .....	123,265.63	37,335.07	160,600.70
Interest on the Bonds (April 24 through April 30) .....	37,515.63	11,362.85	48,878.48
Deposit to the Cost of Issuance Fund.....	104,287.50	34,712.50	139,000.00
Underwriters' discount <sup>(1)</sup> .....	<u>480,499.75</u>	<u>129,774.03</u>	<u>610,273.78</u>
<b>Total Uses</b> .....	<b><u>\$79,495,568.51</u></b>	<b><u>\$21,463,184.45</u></b>	<b><u>\$100,958,752.96</u></b>

<sup>(1)</sup> Amount also includes the reimbursement and/or payment of certain expenses

## THE BONDS

### General

The Bonds are being issued only as fully registered bonds without coupons in the denominations of (i) \$1.00 or any integral multiple thereof upon initial delivery and (ii) \$0.01 or any integral multiple thereof thereafter. The Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository for the Bonds. The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, serves as Trustee under the Indenture. The payment of interest on and principal of all Bonds will be made by the Trustee directly to Cede & Co. Except as otherwise provided herein, so long as Cede & Co. is the registered owner of the Bonds, any references herein to the registered owners or owners of the Bonds shall mean Cede & Co., and shall not mean the beneficial owners thereof. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity. Purchases of Bonds may be made in book-entry form only through brokers and dealers who are, or who act through, DTC Direct Participants. ***So long as DTC or its nominee is the registered owner of the Bonds, beneficial owners of the Bonds will not receive physical delivery of bond***

*certificates.* For a description of DTC’s book-entry only system, see **APPENDIX C – “BOOK-ENTRY ONLY SYSTEM.”**

For every exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. The Bonds mature on the dates and in the amounts set forth on the inside front cover hereof, subject to prior redemption as hereinafter described.

### **Payment Provisions**

Interest on the Bonds is payable on the first day of each month, commencing May 1, 2013 (each an “**Interest Payment Date**”), and, in respect of any Bonds then to be redeemed, on the redemption date. Interest on the outstanding principal amount of the Bonds at the respective annual rates set forth on the inside cover hereof shall accrue from the dated date of the Bonds until payment of the principal of or redemption price on the Bonds, and shall be payable on the Interest Payment Date of the immediately succeeding month, *provided* that interest accrued from the dated date of the Bonds to April 23, 2013 shall be payable on May 1, 2013. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable to the Owners of record in the bond registration books maintained by the Trustee as of the 15<sup>th</sup> day of the month preceding the regularly scheduled interest payment date, whether or not a business day (the “**Record Date**” for such Bonds).

Principal of the Bonds of each Series is payable in the amounts and on the maturity date set forth on the inside cover hereof. The principal of the Bonds is also subject to mandatory redemption on each Principal Payment Date (as defined below).

### **Prepayment and Redemption Provisions**

*Prepayments From Mortgage Repayments on the Series 2013A/B Mortgage-Backed Securities.* The Bonds are subject to redemption, in whole or in part, on the first calendar day of each month, commencing June 1, 2013 (each a “**Principal Payment Date**”), at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, without premium and in the principal amount equal to (i) with respect to the Series 2013A Bonds, MBS Repayments received by the Trustee since the previous Principal Payment Date (or for the first Principal Payment Date, since the dated date of the Bonds) on Mortgage Loans underlying the 2013A Mortgage-Backed Securities, and (ii) with respect to the Series 2013B Bonds, MBS Repayments received by the Trustee since the previous Principal Payment Date (or for the first Principal Payment Date, since the dated date of the Bonds) on Mortgage Loans underlying the 2013B Mortgage-Backed Securities the MBS Repayments.

If the Bonds of a Series are to be redeemed in part upon any such mandatory redemption, each of the Bonds of such Series then outstanding shall be redeemed in part, on a pro rata basis in proportion to the outstanding principal amounts of such Bonds to the aggregate outstanding principal amounts of all outstanding Bonds of such Series. To effect this pro rata redemption while the Bonds are held in the DTC Book-Entry Only system, such mandatory redemptions will be made in accordance with DTC’s “Pro-Rata Pass-Through Distribution of Principal” rules and

procedures. This redemption procedure, if effected by DTC, will cause a pro rata redemption of Bonds among DTC Participants upon a mandatory redemption, but may not ensure a pro rata redemption of Bonds of a Series among all Beneficial Owners thereof. (For a general description of DTC's book-entry only system, see APPENDIX C – “**BOOK-ENTRY ONLY SYSTEM.**”)

*No notice of redemption will be given to any Bondholder or Beneficial Owner of the date or amount of the mandatory redemption of any Bond.*

**Optional Redemption.** The Bonds are also subject to redemption prior to their stated maturity date at the option of the Authority, in whole or in part, in such amounts as the Authority may designate, on any Redemption Date on or after January 1, 2023, from any amounts available to the Authority for such purpose, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the Redemption Date, without premium. An optional redemption effected when the Bonds are held in the DTC book-entry only system, will be made by lot as DTC determines under DTC's current practice.

Notice of optional redemption will be given via facsimile transmission or other electronic means by the Trustee not less than 20 days and not more than 30 days before the Redemption Date, to the registered owner of each Bond to be redeemed. Such notice will also be given by mail not less than 20 days and not more than 30 days before the Redemption Date, to owners of any Bonds to be redeemed to the last address, if any, appearing upon the registration books maintained by the Trustee and to DTC to be further disseminated to DTC Participants for further dissemination to Beneficial Owners (see APPENDIX C – “**BOOK-ENTRY ONLY SYSTEM**”). Failure to give such notice or any defect therein will not affect the validity of any proceedings for the redemption of the Bonds.

If, on the Redemption Date, the Trustee does not have moneys on deposit sufficient to pay the principal of the Bonds called for optional redemption, together with all accrued interest on such Bonds for the month immediately preceding the Redemption Date, the redemption will be cancelled and the related redemption notice rescinded, and such Bonds will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**Other Provisions.** If a payment of interest, principal or the redemption price of a Bond is to be made on a day that is not a Business Day, it will be made on the next succeeding Business Day with the same force and effect as if made on the date of payment, and no interest will accrue thereon for the period after such date.

Except as otherwise provided in the Indenture, any Bonds to be optionally redeemed are to be redeemed only upon receipt by the Trustee of a certificate signed by an officer authorized by the Authority and stating the principal amount of the Bonds to be redeemed. If less than all Bonds are to be redeemed pursuant to optional redemption and the Bonds are not held in the DTC book-entry only system, the Bonds to be redeemed are to be selected at random by a method determined by the Trustee.



## SECURITY FOR THE BONDS

### Pledge of the Indenture

THE BONDS OF EACH SERIES ARE LIMITED OBLIGATIONS OF THE AUTHORITY, AND NOT GENERAL OBLIGATIONS OF THE AUTHORITY, AND ARE PAYABLE SOLELY FROM AND SECURED SOLELY BY PLEDGED REVENUES AND OTHER MONEYS PLEDGED THEREOF PURSUANT TO THE INDENTURE WHICH CONSIST PRIMARILY OF PAYMENTS ON THE RELATED SERIES 2013A/B MORTGAGE-BACKED SECURITIES. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR GENERAL OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. SECTION 26.1 OF THE ILLINOIS HOUSING DEVELOPMENT ACT DOES NOT APPLY TO THE BONDS. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY THEREOF OR OF GNMA OR FNMA AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Pursuant to the Indenture, the Authority has granted to the Trustee a pledge of and security interest in the following as security for the Bonds:

(i) With respect to the Series 2013A Bonds,

(a) All right, title and interest of the Authority in and to the Series 2013A Mortgage-Backed Securities (the registered owner of which will be the Trustee), including all extensions and renewals of any of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect and receive any income, revenues, receipts, issues and profits and other sums of money payable to or receivable by the Authority under the Series 2013A Mortgage-Backed Securities, whether payable pursuant to the related Mortgage Loans or otherwise, to bring actions and proceedings under the Series 2013A Mortgage-Backed Securities or for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do under the Series 2013A Mortgage-Backed Securities.

(ii) The Pledged Revenues related to the Series 2013A Bonds and all moneys and securities from time to time held by the Trustee under and subject to the terms of the Indenture.

(i) With respect to the Series 2013B Bonds,

(a) All right, title and interest of the Authority in and to the Series 2013B Mortgage-Backed Securities (the registered owner of which will be the Trustee), including all extensions and renewals of any of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect and receive any income, revenues, receipts, issues and profits and other sums of money payable to or receivable by the Authority under the Series 2013B Mortgage-Backed Securities, whether payable pursuant to the related Mortgage Loans or

otherwise, to bring actions and proceedings under the Series 2013B Mortgage-Backed Securities or for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do under the Series 2013B Mortgage-Backed Securities.

(ii) The Pledged Revenues related to the Series 2013B Bonds and all moneys and securities from time to time held by the Trustee under and subject to the terms of the Indenture.

The pledge granted by the Indenture shall be for the full benefit, protection and security of Owners of the related Series of Bonds outstanding at any time and from time to time.

When certain terms and conditions are fulfilled as provided in the Indenture, amounts in the Expense Fund may be released free and clear of the lien of the Indenture. See **APPENDIX E** – “**FORM OF INDENTURE.**”

*The Mortgage Loans purchased (or financed through the purchase of certain mortgage-backed securities) with proceeds of the Other Single Family Bond Programs and the funds and accounts which secure the bonds issued thereunder are not pledged and are not available to meet any payment requirements of the Bonds.*

### **The Series 2013A/B Mortgage-Backed Securities and the Related Mortgage Loans**

Proceeds of the Bonds will be used by the Trustee to reimburse the Authority for the acquisition of the Series 2013A/B Mortgage-Backed Securities, the underlying Mortgage Loans related to which satisfy the Program requirements set forth in the Program Agreements (as defined below). Under the Program, the Authority is authorized to acquire, purchase or finance mortgage-backed securities, including the Series 2013A/B Mortgage-Backed Securities, that represent or are backed by Mortgage Loans made by qualified Participants to Mortgagors for owner-occupied, one- to four-unit residences. See “**THE PROGRAM.**” Each Mortgage Loan acquired, purchased or financed by the Authority has been made for the purpose of purchasing the property subject to the related Mortgage. All Mortgage Loans represented by the Series 2013A/B Mortgage-Backed Securities must be in the form of a mortgage or other instrument approved by the FHA in the case of an FHA insured loan, USDA/RD in the case of a loan guaranteed by USDA/RD, VA in the case of a loan guaranteed by the VA or FNMA in the case of a conventional loan. The Mortgage Loans represented by the Series 2013A/B Mortgage-Backed Securities are secured by a valid first mortgage on a Residence financed by such Mortgage Loan, insured or guaranteed, and have maturity terms of 30 years. Each Mortgage Loan represented by the Series 2013A/B Mortgage-Backed Securities was made substantially in accordance with the underwriting policies of the Participant and of the Program as determined from time to time. At the time of acquisition by the Trustee, all of the GNMA Mortgage-Backed Securities must have been issued by the Master Servicer and guaranteed as to payment of principal and interest by GNMA and all of the FNMA Mortgage-Backed Securities must have been acquired by the Master Servicer and guaranteed as to payment of principal and interest by FNMA. For more information regarding GNMA and the GNMA Mortgage-Backed Securities, see “**GNMA and the GNMA Mortgage-Backed Securities**” contained in **APPENDIX A** – “**SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY**”

**PROGRAMS”** and for FNMA and the FNMA Mortgage-Backed Securities, see “**FNMA and the FNMA Mortgage-Backed Securities**” contained in **APPENDIX A – “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS.”**

THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY THEREOF OR OF GNMA OR FNMA AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

The aggregate principal amount of the Series 2013A Mortgage-Backed Securities held and pledged pursuant to the Indenture will be equal to the stated principal amount of the Series 2013A Bonds. The aggregate principal amount of the Series 2013B Mortgage-Backed Securities held and pledged pursuant to the Indenture will be equal to the stated principal amount of the Series 2013B Bonds. So long as no Event of Default exists with respect to the Bonds, all Mortgage Repayments (including scheduled principal payments and prepayments) received by the Trustee from the Series 2013A/B Mortgage-Backed Securities will be allocated and used to the payment of principal of the related Series of Bonds in the manner described under “**THE BONDS – Prepayment and Redemption Provisions – Prepayment from Mortgage Repayments on the Series 2013A/B Mortgage-Backed Securities.**” Upon any Event of Default, the Series 2013A Mortgage-Backed Securities equally and ratably secure all maturities of the Series 2013A Bonds and the Series 2013B Mortgage-Backed Securities equally and ratably secure all maturities of the Series 2013B Bonds. The Owner of Bonds of one Series shall have no rights with respect to the Mortgage-Backed Securities pledged as security for the Bonds of the other Series.

#### **No Additional Bonds**

No additional indebtedness may be created or issued by the Authority which is secured by a lien on the Funds and Accounts and the Series 2013A/B Mortgage-Backed Securities pledged pursuant to the Indenture and other property pledged to secure the Bonds pursuant to the Indenture or which will be payable from any of the foregoing. *The Authority may, however, issue bonds and other evidences of indebtedness pursuant to resolutions, agreements and indentures other than the Indenture.*

#### **No Recycling of Payments and Prepayments**

All Mortgage Repayments (including scheduled principal payments and prepayments) received by the Trustee with respect to the Series 2013A/B Mortgage-Backed Securities held and pledged under the Indenture will be applied to prepay the principal of the related maturities of the related Series of Bonds as set forth in “**THE BONDS – Prepayment and Redemption Provisions**” herein. No such Mortgage Repayments may be used by the Authority to purchase additional Mortgage-Backed Securities or other Mortgage Loans.

#### **Special Considerations Relative to the Prepayment of Mortgage Loans**

It is anticipated that a portion of the Mortgage Loans backing the Series 2013A/B Mortgage-Backed Securities will be partially or completely prepaid or terminated prior to their respective final maturities as a result of events such as sale of the residence, refinancing, default, modification, condemnation or casualty loss or noncompliance with the Program. Because of the

inherent uncertainty of historical experience with respect to prepayments of mortgage loans of a type similar to the Mortgage Loans described herein, there is no reliable basis for predicting the actual average life of the Mortgage Loans. Prepayment of some Mortgage Loans, however, is anticipated. All such prepayments on Mortgage Loans related to the Series 2013A/B Mortgage-Backed Securities must be applied to prepay the applicable Series of Bonds as set forth in “**THE BONDS – Prepayment and Redemption Provisions – Prepayments From Mortgage Repayments on the Series 2013A/B Mortgage-Backed Securities**” herein.

PREPAYMENTS MADE WITH RESPECT TO MORTGAGE LOANS RELATED TO THE SERIES 2013A/B MORTGAGE-BACKED SECURITIES WILL RESULT IN THE PAR PREPAYMENT OF A LIKE PORTION OF THE BONDS OF THE RELATED SERIES EARLIER THAN THEIR RESPECTIVE STATED MATURITIES.

Under the terms of the Indenture, Mortgage Repayments (including scheduled principal payments and prepayments) on the Series 2013A/B Mortgage-Backed Securities held and pledged under the Indenture must be applied to prepay Bonds of the related Series. See “**THE BONDS – Prepayment and Redemption Provisions**” herein. So long as no Event of Default has occurred with respect to the related Series of Bonds, all Mortgage Repayments received by the Trustee with respect to the Series 2013A/B Mortgage-Backed Securities will be allocated to, and used for, the payment of principal of the Bonds of the related Series in the manner described under “**THE BONDS – Prepayment and Redemption Provisions – Prepayments From Mortgage Repayments on the Series 2013A/B Mortgage-Backed Securities.**”

The future prepayment behavior of the Mortgage Loans will be influenced by a variety of economic, geographic, demographic, social and other factors, including, but not limited to, the level of prevailing mortgage interest rates and the rate at which homeowners sell their homes or default on their Mortgage Loans. In general, if prevailing interest rates are below the interest rate on the Mortgage Loans, the Mortgage Loans are likely to be subject to higher prepayment rates than if prevailing rates are at or above the interest rates on such Mortgage Loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. In addition, the borrower of certain Mortgage Loans financed after December 31, 1990 must pay to the United States Treasury a portion of the gain upon the disposition of a residence financed if such disposition occurs within nine years from the date of purchase as a recapture of a portion of the borrower’s benefit from tax exempt financing. The Mortgage Loans underlying the Series 2013A Mortgage-Backed Securities are subject to this requirement and it is not possible to predict the effect of such recapture provision upon the prepayment characteristics of such Mortgage Loans. Such recapture provisions may also affect the timing for prepayment of these Mortgage Loans. The Mortgage Loans underlying the Series 2013B Mortgage-Backed Securities are not subject to the recapture provisions described above. See “**THE PROGRAM – Qualifications of Mortgagors and Mortgage Loans**” below. Other factors affecting prepayment of Mortgage Loans include, but are not limited to, changes in the Mortgagors’ housing needs, job transfers, unemployment and mortgagors’ net equity in the mortgaged properties. In addition, as homeowners move or default on their Mortgage Loans, the houses are generally sold and the Mortgage Loans prepaid.

The rate of prepayment on the Mortgage Loans also may be affected by, among other things, whether upon a sale of the mortgaged property, the purchaser may assume the Mortgage

Loan. Subject to satisfaction of certain terms specified in the origination agreements between the Master Servicer and each Participant with respect to the origination of Mortgage Loans (collectively, the “**Origination Agreements**”) between each Participant and the Master Servicer, the Mortgage Loans are assumable. Assumption of Mortgage Loans, rather than payoff upon a sale or transfer of the related mortgaged property, will reduce the level of prepayments. There is no way to determine the effect that such assumptions or nonassumptions of Mortgage Loans related to the Series 2013A/B Mortgage-Backed Securities will have on principal payments on the Bonds. See “**THE PROGRAM – Qualification of Mortgagors and Mortgage Loans**” herein.

**No representation is made as to the anticipated yield to redemption, the rate of prepayment on the Mortgage Loans or the likelihood or timing of any redemption of any of the Bonds prior to maturity due to prepayment on the Mortgage Loans. Investors seeking to maximize yield are urged to make an investment decision with respect to the Bonds based upon the investor’s desired yield to redemption or maturity, the anticipated yield to redemption or maturity of the Bonds resulting from the price of the Bonds and the investor’s own determination as to the anticipated prepayments with respect to the Series 2013A/B Mortgage-Backed Securities.**

### **Investment of Funds**

Moneys deposited in the funds and accounts established pursuant to the Indenture (except the Revenue Fund) will be invested in Permitted Investments. Moneys in the Revenue Fund will remain uninvested.

## **THE PROGRAM**

### **General**

Under the Act, the Authority carries out the Program of financing, purchasing or acquiring Mortgage Loans made to qualified low and moderate income persons (“**Mortgagors**”) for the purchase of owner-occupied (one- to four-unit) residences (the “**Residences**”) within the State. Pursuant to the Program, the Authority is issuing the Bonds to finance mortgage-backed securities representing or backed by Mortgage Loans made by Participants to Mortgagors for Residences that back such mortgage-backed securities. The Indenture and the Bonds comprise one of a series of bond programs initiated by the Authority to provide below-market interest rate loans to low- and moderate-income home buyers under which the Authority issues bonds under separate resolutions or indentures to provide funds to purchase or finance Program loans from qualified lending institutions in accordance with the provisions of the Act. The Authority has established rules relating to the Program which set forth general requirements and policies with respect to qualifications of approved lenders, approved servicers, eligible borrowers, program loans and the dwellings which are mortgaged to secure program loans.

The Participants have each entered into an Origination Agreement with the Master Servicer. The Origination Agreements provide for the origination by the Participants of Mortgage Loans which are FHA-insured, VA-guaranteed, USDA/RD-guaranteed, or insured by a private mortgage policy (if in an amount in excess of certain loan-to-value ratios) and which

meet the general requirements of the Program as well as all other conditions of GNMA or FNMA, as applicable, as set forth in the Master Servicer Agreement, the Origination Agreements, the Lender Manual (as defined in the Indenture) and guidance issued by GNMA or FNMA, as applicable (collectively, the **Program Agreements**). Mortgage Loans originated pursuant to the Origination Agreements are delivered and sold by Participants to the Master Servicer.

The Series 2013A/B Mortgage-Backed Securities are backed by Mortgage Loans that are each secured by a valid first mortgage on a Residence financed by such Mortgage Loan, are guaranteed or insured by FHA, VA, USDA/RD, or a private mortgage policy, as applicable, and have terms to maturity of 30 years. Each Mortgage Loan must have been made for the purpose of purchasing the Residence subject to the related mortgage. The Program Determinations for the Mortgage Loans related to the Bonds include the following:

- (i) Each Mortgage Loan is secured by a first lien deed of trust interest;
- (ii) Each Mortgage Loan has approximately equal monthly payments and fixed rates of interest;
- (iii) The original term to maturity for each Mortgage Loan is 30 years;
- (iv) Each Mortgage Loan is FHA insured, VA guaranteed, USDA/RD guaranteed, or insured by a private mortgage policy; and
- (v) Each Series 2013A/B Mortgage-Backed Security bears interest at the respective Pass-Through Rate, which is 0.50% (except 0.60% for FNMA Mortgage-Backed Securities issued prior to December 1, 2012 and 0.725% for FNMA Mortgage-Backed Securities issued after December 1, 2012) less than the interest rates on the Mortgage Loans supporting or represented by such Series 2013A/B Mortgage-Backed Security.

In addition to purchasing Mortgage Loans, the Authority may offer Mortgagors down payment and/or closing cost assistance in the form of down payment assistance loans (the **DP Loans**). Under the Authority's current program, eligible borrowers may receive a DP Loan in an amount of up to the lesser of: (i) 3% or 5% (depending upon the borrower's household income) of the purchase price of the Residence; or (ii) \$6,000. Each DP Loan will: (i) have a maximum term of 10 years and bear interest at 0% per annum; (ii) have an original principal amount not to exceed certain value and loan-to-value parameters; (iii) be secured by a mortgage constituting a valid second lien on a Residence; (iv) require the Residence to be covered by a valid and existing policy of hazard insurance meeting the requirements of the Master Servicer Agreement, the applicable Origination Agreement and the Lender Manual; and (v) have the benefit of (a) the current form of ALTA title insurance policy, with an environmental protection lien endorsement, in an amount at least equal to the original principal amount of the Mortgage Loan insuring that the mortgage relating to the DP Loan constitutes a second lien on the Residence, subject only to exceptions that the Authority has approved; and (b) flood insurance for any Residence located in a special flood hazard area in which HUD has made federal flood insurance available.

## Qualifications of Participants; Reservations

To qualify as a Participant under the Program, a lending institution must be acceptable to the Master Servicer and must (i) be a home mortgage lending institution or entity which is a duly organized, validly existing bank, trust company, savings bank, industrial bank, national banking association, savings and loan association, building and loan association, mortgage bank or other financial institution or governmental agency which customarily provides service or otherwise aids in the financing of mortgages on single-family residential housing located in the State or any holding company for any of the foregoing, (ii) make the representations, warranties and covenants set forth in the Program Agreements, and (iii) agree to originate Mortgage Loans pursuant to the Program Agreements.

## Qualifications of Mortgagors and Mortgage Loans

Under the Program, no Mortgage Loan may be made for the purpose of purchasing a residence the purchase price of which exceeds, in the case of a new residence or an existing residence, 90% of the average area purchase price for new or existing residences in the case of residences in non-Targeted Areas and 110% of the average area purchase price for new or existing residences in Targeted Areas. The maximum purchase prices currently designated by the Authority to be generally applicable to the Program (which maximum purchase prices may be changed from time to time) are as follows:

<b>Areas</b>	<b>1 unit</b>	<b>2 units</b>
Non-Targeted Areas .....	\$378,461	\$484,477
Targeted Areas .....	\$462,564	\$592,138

For two- to four-unit residences, the above maximum purchase prices are adjusted upward in accordance with the Program Agreements.

No Mortgage Loan may be made to a Mortgagor whose Family Income (as defined in the Internal Revenue Code of 1986, as amended) exceeds, in non-Targeted Areas, 115% (100% for families of one or two persons) and, in Targeted Areas, 140% (120% for families of one or two persons), of the applicable median family income for the area in which the Residence is located. The current Family Income limits applicable to the Program (which income limits may be changed from time to time) in Non-Targeted Areas range from \$72,100 to \$109,266 for 1-2 persons and \$82,915 to \$125,656 for 3 or more persons. The current Family Income limits applicable to the Program (which income limits may be changed from time to time) in Targeted Areas range from \$86,520 to \$96,240 for 1-2 persons and \$100,940 to \$106,120 for 3 or more persons. “**Targeted Areas**” means those areas of the State identified by the Authority in the Master Servicer Agreement, the Program Agreements and the Master Servicer Lender Guide which constitute areas of chronic economic distress within the meaning of the Internal Revenue Code of 1986, as amended (the “**Code**”).

In addition, all Mortgage Loans and all Mortgagors must meet all other requirements set forth in the Program Agreements.

Pursuant to the Program, proceeds of bonds, including the Series 2013A Bonds but excluding the Series 2013B Bonds, must be used to finance Residences of Mortgagors who had no present ownership interest in their respective principal residence for the three-year period ending on the date their respective Mortgages are executed (except in connection with Mortgage Loans on residences in Targeted Areas and certain loans for home improvement and rehabilitation and mortgage loans made to certain “veteran” borrowers (as defined in 38 U.S.C. Section 101) who have not previously obtained mortgage loans financed by single family mortgage revenue bonds).

Federal tax law requires a Mortgagor to pay to the United States Treasury a portion of the gain upon the disposition of a Residence financed if such disposition occurs within nine years from the date of purchase as a recapture of a portion of the Mortgagor’s benefit from tax exempt financing. The Mortgage Loans underlying the Series 2013A Mortgage-Backed Securities are subject to this requirement and it is not possible to predict the effect of such recapture provision upon the prepayment characteristics of such Mortgage Loans. Such recapture provisions may affect the timing for prepayment of such Mortgage Loans.

### **Origination of the Mortgage Loans**

Participants must process all Mortgage Loans in compliance with the requirements of the Program Agreements. The Participant performs the initial underwriting of the Mortgage Loan. Credit underwriting must be in compliance with: (i) accepted mortgage industry underwriting standards; (ii) for Mortgage Loans required to have private mortgage insurance, standards approved by the qualified private mortgage insurer; (iii) for Mortgage Loans that are FHA-insured, VA-guaranteed or USDA/RD-guaranteed, standards specified by the applicable agency; and (iv) for Mortgage Loans that are to be pooled into Mortgage-Backed Securities, standards specified in the Program Agreements. The Authority’s procedures emphasize use of FHA underwriting guidelines (other than with respect to VA-insured Mortgage Loans, USDA/RD-insured Mortgage Loans or conventional Mortgage Loans, which shall be subject to the VA or USDA/RD underwriting guidelines or guidance issued by FNMA, respectively).

The Participant must obtain an application package consisting of all required credit and employment information, appraisals, affidavits, certificates and other documents required by the Program Agreements and forward the application package to the Master Servicer. The Master Servicer, in accordance with the applicable procedures under the Master Servicer Agreement, reviews the compliance package and mortgage file for each Mortgage Loan to be pooled in order to back a Mortgage-Backed Security and determines its acceptability before pooling them into a related Mortgage-Backed Security. The Authority purchases Mortgage-Backed Securities backed by pools of Mortgage Loans in accordance with the provisions of the Master Servicer Agreement.

### **Servicing of Mortgage Loans**

Mortgage Loans supporting or represented by the Series 2013A/B Mortgage-Backed Securities held and pledged under the Indenture will be serviced by the Master Servicer in accordance with the Master Servicer Agreement and the GNMA Guide or the FNMA Guide, as applicable. The Master Servicer Agreement provides for a monthly servicing fee equal to 1/12



of 0.50% of the unpaid principal balance of each Mortgage Loan represented by a GNMA Mortgage-Backed Security (out of which servicing fee the Master Servicer pays a guarantee fee to GNMA equal to 0.06% of the unpaid principal balance of each Mortgage Loan represented by a GNMA Mortgage-Backed Security) and 1/12 of 0.25% of the unpaid principal balance of each Mortgage Loan represented by a FNMA Mortgage-Backed Security.

### **State Foreclosure Laws**

If a Mortgagor defaults on a Mortgage Loan and foreclosure or other recovery proceedings are instituted, there may at times be delays in collection. These delays could disrupt the flow of revenues available from Mortgage Loans to pay debt service on the Bonds if such defaults occur with respect to a substantial number of Mortgage Loans.

The foreclosure laws applicable to defaulted mortgage loans in many states permit a mortgagee to foreclose upon mortgaged property within a short period of time. Illinois law in this respect contains provisions that cause foreclosures in the State to be more time consuming than in other states.

Under State law, foreclosure of defaulted mortgages must be pursuant to judicial proceedings. The sale of mortgaged property by virtue of any power of sale contained in any mortgage or trust deed is expressly prohibited. Judicial proceedings in a foreclosure suit are governed by the Illinois Code of Civil Procedure, 735 ILCS 5/1-101 *et seq.*, and in particular by the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15-1101 *et seq.* A mortgagor in almost all cases has the right to reinstate the mortgage by curing all defaults then existing, other than payment of such portion of the principal that would not have been due had no acceleration occurred, and by paying all costs and expenses required by the mortgage to be paid in the event of such defaults, provided that such cure and payment are made prior to the expiration of 90 days from the date all mortgagor(s) have been served with summons or by publication in a foreclosure action, or have otherwise submitted to the jurisdiction of the foreclosure court. The reinstatement period must expire before a foreclosure sale is held. The mortgagor or other owner or co-owner of mortgaged property may redeem the mortgaged property by paying the mortgagee the amount specified in the judgment of foreclosure and certain expenses incurred by the mortgagee between the date of judgment of foreclosure and the date of redemption. The redemption may be made only during a specified redemption period. The applicable redemption period for residential mortgaged property ends on the later of (i) the date seven months from the date all mortgagors have been served with summons or by publication in a foreclosure action or have otherwise submitted to the jurisdiction of the court, or (ii) the date three months from the date of entry of a judgment of foreclosure, unless certain conditions are met, in which case the redemption period will end at the later of the date of the expiration of the 90-day reinstatement period described above or the date 60 days after the judgment of foreclosure is entered. The redemption period also generally must expire before a foreclosure sale is held, but residential mortgagors also have an additional right to redeem in certain cases where the mortgagee or its nominee has purchased the mortgaged property at the foreclosure sale. This additional right of redemption must be exercised within thirty days after the foreclosure sale is confirmed by the foreclosure court.

Mortgagors may seek protection under the United States Bankruptcy Code, which provides a debtor with an opportunity to adjust his debts without losing control of his assets. Under a plan confirmed under Chapter 13 of the Bankruptcy Code, the debtor's unsecured and secured debts may be modified, except that debts secured by a mortgage on real property used as the debtor's principal residence may not be modified, unless the case is converted to a case under Chapter 7 (liquidation) or Chapter 11 (reorganization). Absent court ordered relief (which is only available under limited circumstances), the automatic stay under Section 362 of the Bankruptcy Code will apply to any case commenced under the Bankruptcy Code, and the mortgagee will be stayed from any action to satisfy its claim, including foreclosure on the real property.

## **Insurance and Guarantees of Mortgages**

The Mortgage Loans supporting or represented by GNMA Mortgage-Backed Securities held and pledged under the Indenture are FHA-insured, VA-guaranteed or USDA/RD-guaranteed Mortgage Loans and the Mortgage Loans supporting or represented by FNMA Mortgage-Backed Securities held and pledged under the Indenture are insured by a private mortgage policy (if in an amount in excess of certain loan-to-value ratios). See **APPENDIX A – “SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS”** for a description of certain mortgage insurance and guaranty programs, which description is only a brief outline and does not purport to summarize or describe all of the provisions of these programs or all of the insurance programs which are available to a Mortgagor. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of FHA, VA and USDA/RD.

## **The Master Servicer**

*The following information about the Master Servicer relates to and was supplied by U.S. Bank National Association. Such information has not been verified by the Authority, the Authority's counsel, the Underwriters, the Underwriters' counsel or Bond Counsel and is not guaranteed as to completeness or accuracy by and is not to be construed as a representation of, the Authority, its counsel, the Underwriters, Underwriters' counsel or Bond Counsel.*

The Master Servicer is U.S. Bank National Association. As of December 31, 2012, the Master Servicer serviced 176,078 single-family Mortgage Revenue Bond mortgage loans with an aggregate principal balance of approximately \$14.1 billion. The Master Servicer currently services single-family mortgage loans for State and Local Housing Finance Authorities, mutual savings banks, life insurance companies, savings and loan associations, commercial banks, as well as Fannie Mae, GNMA and Freddie Mac.

As of December 31, 2012, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately \$353.9 billion and a net worth of \$39 billion. For the twelve months ending December 31, 2012, the Master Servicer through its U.S. Bank Home Mortgage Division, originated and purchased single-family Mortgage Revenue Bond mortgage loans in the total principal amount of approximately \$3.065 billion.

The Master Servicer is (i) an FHA- and VA-approved lender in good standing, (ii) a GNMA-approved seller and servicer of mortgage loans and an issuer of mortgage-backed securities guaranteed by GNMA and (iii) a Fannie Mae approved seller and servicer of Fannie Mae Securities (iv) a FHLMC approved seller and servicer of FHLMC securities.

The Master Servicer is not liable for the payment of the principal of the Bonds or the interest or redemption premium, if any thereon.

The holding company for U.S. Bank National Association is U.S. Bancorp, the 5th largest financial services holding company in the United States.

## **TAX MATTERS**

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Bonds for the investors described below and is based on the advice of Kutak Rock LLP, as Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors that are “U.S. holders” (as defined below) who will hold the Bonds as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “**Service**”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

As used herein, a “**U.S. holder**” is a “U.S. person” that is beneficial owner of a Bond. A “non U.S. holder” is a holder (or beneficial owner) of a Bond that is not a U.S. person. For these purposes, a “U.S. Person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

### ***Series 2013A Bonds***

#### **General**

The Code establishes certain requirements that must be met subsequent to the issuance of the Series 2013A Bonds in order that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2013A Bonds to be includable in gross income retroactive to the date of original issuance of the Series 2013A Bonds. The requirements of the Code include provisions

that restrict the yield and set forth other limitations within which the proceeds made available upon the issuance of the Series 2013A Bonds are to be invested, including mortgage eligibility requirements, and require that certain investment earnings be rebated on a periodic basis to the United States Treasury.

Section 143 of the Code imposes significant limitations on the financing of single-family Mortgage Loans with the proceeds of the Series 2013A Bonds. The Authority requires that all Mortgage Loans financed by the proceeds made available upon the issuance of the Series 2013A Bonds satisfy these requirements, including, but not limited to, the borrower income and purchase price limitations of Section 143 of the Code.

Under the Code, the following requirements must be met with respect to each Mortgage Loan financed, in whole or in part, with the proceeds of the Series 2013A Bonds: (a) the residence being financed must reasonably be expected by the Authority to become the principal residence of the mortgagor within a reasonable time after the financing is provided, must not be intended primarily or expected to be used in a trade or business and may not be used as an investment property or as a recreational home; (b) subject to certain limited exceptions, at least 95% of the lendable proceeds of an issue, after deducting such proceeds used to make Mortgage Loans in “targeted areas”, qualified rehabilitation loans or home improvement loans and mortgage loans made to certain “veteran” borrowers (as defined in 38 U.S.C. Section 101) who have not previously obtained mortgage loans financed by single family mortgage revenue bonds, must be used to finance residences of borrowers who have not had a present ownership interest in a principal residence during the three-year period prior to the date on which the mortgage is executed; (c) the acquisition cost of the residence must not exceed certain limitations; (d) all mortgages must be made to borrowers whose income does not exceed certain limitations; (e) subject to certain limited exceptions, proceeds may not be applied to acquire or replace an existing mortgage, except for the replacement of temporary initial financing or qualified rehabilitation; and (f) a mortgage may not be assumed unless requirements (a) through (d) above are met.

An issue of bonds is treated as meeting the mortgage eligibility requirements of the Code only if the issuer in good faith attempts to meet all of the mortgage eligibility requirements before the mortgages are executed and any failure to comply with the mortgage eligibility requirements is corrected within a reasonable period after such failure is first discovered. In addition, 95% or more of the proceeds of the issue used to make loans must be used to finance residences which met all such requirements at the time the loans were executed. In determining whether 95% of the proceeds have been so used, the issuer is entitled to rely on an affidavit of the mortgagor and of the seller and on the mortgagor’s income tax returns filed with the Internal Revenue Service (the “**IRS**”) for the three years preceding the date the mortgage is executed even though the relevant information in such affidavits and returns should ultimately prove to be untrue, unless the Authority or its agent knows or has reason to believe that such information is false. If the relevant information in the affidavits obtained in connection with any loan is discovered to be untrue, however, the correction still must be made within a reasonable period. An issue of bonds is treated as meeting the arbitrage and targeting requirements of the Code if (a) the issuer in good faith attempted to meet all these requirements and (b) any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with the requirements.

The Authority requires the inclusion of certain provisions in the Program Agreements and other relevant documents and has established certain procedures (including receipt of certain affidavits and warranties from lenders, borrowers and others with respect to the mortgage eligibility requirements) to ensure compliance with the Code and the related mortgage eligibility requirements and other requirements relating to nonmortgage investments which must be met subsequent to the date of issuance of the Series 2013A Bonds. The Authority has covenanted in the Indenture to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series 2013A Bonds shall be excludable from gross income for federal income tax purposes. The Authority believes that the procedures and documentation requirements established for the purpose of fulfilling its covenant are sufficient to ensure that the proceeds of the Series 2013A Bonds will be applied in accordance with the Code.

### **Opinion of Bond Counsel**

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, (i) interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes, and (ii) interest on the Series 2013A Bonds is neither a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2013A Bonds. Failure to comply with such requirements could cause interest on the Series 2013A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2013A Bonds. The Authority has covenanted to comply with such requirements.

Under the Act, in its present form, the Series 2013A Bonds and all income from the Series 2013A Bonds is free from all taxation of the State or its political subdivisions, except for estate, transfer and inheritance taxes.

Bond Counsel has expressed no opinion regarding other federal or State tax consequences arising with respect to the Series 2013A Bonds. The form of the opinion of Bond Counsel with respect to the Series 2013A Bonds is attached hereto as **APPENDIX B**.

The accrual or receipt of interest on the Series 2013A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2013A Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2013A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, purchasers otherwise entitled to claim the earned income credit or purchasers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing, owning or selling the Series 2013A Bonds.

## **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2013A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2013A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

## **Exemption Under State Tax Law**

In the further opinion of Bond Counsel (the form of which is attached hereto as **APPENDIX B**), under the Act, in its present form, the Series 2013A Bonds and all income from the Series 2013A Bonds are free from all taxation of the State or its political subdivisions, except for estate, transfer and inheritance taxes.

## **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2013A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2013A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2013A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2013A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2013A Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## **Premium Bonds**

Series 2013A Bonds may be sold at initial public offering prices in excess of the principal amount thereof (the “**Premium Bonds**”). Under the Code, the difference between the principal amount of Premium Bonds and the cost basis of such Premium Bonds to an owner (other than an owner who holds the Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) is “bond premium.” An initial owner of Premium Bonds must amortize any bond premium in accordance with Section 171 of the Code. Owners of Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other

disposition of such Premium Bonds and with respect to the state and local consequence of owning and disposing of Premium Bonds.

### **Discount Bonds**

Series 2013A Bonds sold at an initial public offering price that is less than the stated amount to be paid at maturity constitute “**Discount Bonds**.” The difference between the initial public offering prices of any such Discount Bond and the stated amount to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on such Series 2013A Bond.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Holders of the Discount Bonds are urged to consult their tax adviser to determine the amount and treatment of original issue discount with regard to the Discount Bonds.

### ***Series 2013B Bonds***

#### **General**

Although the Series 2013B Bonds are issued by the Authority, interest on the Series 2013B Bonds (including original issue discount treated as interest) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2013B Bonds (including original issue discount treated as interest) will be fully subject to federal income taxation. Thus, owners of the Series 2013B Bonds generally must include interest (including original issue discount treated as interest) on the Series 2013B Bonds in gross income for federal income tax purposes.

To ensure compliance with Treasury Circular 230, holders of the Series 2013B Bonds should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Series 2013B Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

#### **Taxation of Interest Income of the Series 2013B Bonds**

Payments of interest with regard to the Series 2013B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code. If the Series 2013B Bonds are deemed to be issued with original issue discount, Section 1272 of the Code requires the current

ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined in the Code) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Payments of interest received with respect to the Series 2013B Bonds will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the Series 2013B Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the Series 2013B Bonds.

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series 2013B Bonds should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the Series 2013B Bonds as well as gain on the sale of a Series 2013B Bond.

A purchaser (other than a person who purchases a Series 2013B Bond upon issuance at the issue price) who buys a Series 2013B Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified *de minimis* amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series 2013B Bonds.

### **Sale or Exchange of the Series 2013B Bonds**

If a Bondholder sells a Series 2013B Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder's basis in such Series 2013B Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. However, if a Series 2013B Bond was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income.

If the terms of a Series 2013B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to



redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a Series 2013B Bond should consult its own tax advisor concerning the circumstances in which the Series 2013B Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of the Series 2013B Bonds may result in a deemed sale or exchange of such Series 2013B Bonds under certain circumstances. Owners of such Series 2013B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

### **Backup Withholding**

Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Series 2013B Bonds, if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

### **Tax Treatment of Original Issue Discount**

The Series 2013B Bonds that have an original yield above their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a discount (the “**Discounted Obligations**”). The difference between the initial public offering prices, as set forth on the inside cover hereof, of the Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as taxable interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is

sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of the Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

### **Tax Treatment of Bond Premium**

The Series 2013B Bonds that have an original yield below their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a premium (collectively, the “**Premium Obligations**”). An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. The same treatment is afforded to the Premium Obligations purchased at a premium in the secondary market. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations.

### **State, Local and Foreign Taxation**

No representations are made regarding the tax consequences of purchase, ownership or disposition of the Series 2013B Bonds under the tax laws of any state, locality or foreign jurisdiction (except as provided below under the heading “**TAX MATTERS - Exemption Under State Tax Law**”). Investors considering an investment in the Series 2013B Bonds should consult their own tax advisors regarding such tax consequences.

### **Tax-Exempt Investors**

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the

Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any holder of a Series 2013B Bond incurs acquisition indebtedness with respect to a Series 2013B Bond, interest paid or accrued with respect to such Bondholder may be excluded by such tax exempt Bondholder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Series 2013B Bond is urged to consult its own tax advisor regarding the application of these provisions.

### **Certain ERISA Considerations**

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2013B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2013B Bonds could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Authority or any Dealer of the Series 2013B Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2013B Bonds are acquired by such plans or arrangements with respect to which the Authority or any Dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2013B Bonds. The sale of the Series 2013B Bonds to a plan is in no respect a representation by the Authority or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. **Any plan proposing to invest in the Series 2013B Bonds should consult**

**with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.**

### **Exemption Under State Tax Law**

In the further opinion of Bond Counsel (the form of which is attached hereto as **APPENDIX B**), under the Act, in its present form, the Series 2013B Bonds and all income from the Series 2013B Bonds are free from all taxation of the State or its political subdivisions, except for estate, transfer and inheritance taxes.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the U.S. Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2013B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2013B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2013B Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2013B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2013B Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **RATINGS**

The Series 2013A Bonds have been assigned a rating of “AAA” by Fitch Ratings (the “**Rating Agency**”). The Series 2013B Bonds have been assigned a rating of “AAA” by the Rating Agency. An explanation of the significance of such ratings may be obtained only from the Rating Agency. The Underwriters have furnished information and materials to the Rating Agency relating to the Authority and the Bonds, certain of which information and materials have not been included in this Official Statement. Generally, the rating agency bases its ratings on such information and materials and on investigations, studies and assumptions by such agency. There is no assurance that the ratings assigned to either Series of Bonds will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the Rating Agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the related Series of Bonds.

## UNDERWRITING

The Bonds are being purchased by the Underwriters named on the cover of this Official Statement (the “**Underwriters**”) pursuant to a Purchase Contract between the Authority and RBC Capital Markets, LLC, as Representative of the Underwriters (the “**Bond Purchase Agreement**”), in which the Underwriters agree, subject to certain conditions, to purchase the Series 2013A Bonds at a price equal to \$78,750,000.00 and the Series 2013B Bonds at a price equal to \$21,250,000.00 (each price representing the par amount of the related Series of Bonds), *plus* accrued interest. The Underwriters will be paid a fee of \$480,499.75 in connection with the sale of the Series 2013A Bonds and a fee of \$129,774.03 in connection with the sale of the Series 2013B Bonds, which fees will be paid by the Authority and include the reimbursement and/or payment of certain expenses. The Bond Purchase Agreement provides that the Underwriters must purchase all of each Series of the Bonds if any of each Series of the Bonds are purchased. The Underwriters may offer and sell the Bonds to certain dealers and certain dealer banks at prices that are lower than the public offering prices stated on the inside front cover of this Official Statement.

## LITIGATION

At the time of delivery of and payment for the Bonds, the Authority will certify that to its knowledge, no litigation or other proceedings are pending or threatened in any agency, court or tribunal, state or federal, restraining or enjoining or seeking to restrain or enjoin the issuance, sale, execution or delivery of any of the Bonds, in any way questioning or affecting the validity or enforceability of any provision of the Bonds, the Indenture and certain related documents, in any way questioning or affecting the validity of any of the proceedings or authority for the authorization, issuance, sale, execution or delivery of the Bonds, or the pledge or application of any moneys or the security provided for the payment of the Bonds, or the validity of any provision, program or transactions made or authorized for their payment, or questioning or affecting the organization or existence of the Authority or the title of any of its officers to their respective offices.

## APPROVAL OF LEGALITY

The approving opinion of Kutak Rock LLP, Bond Counsel, in substantially the form attached to this Official Statement as **APPENDIX B**, will be delivered upon the issuance of the Bonds. Certain matters will be passed upon for the Authority by its General Counsel, Maureen G. Ohle, Esq., and its counsel, Schiff Hardin LLP, and for the Underwriters by Burke Burns & Pinelli, Ltd.

## LEGAL INVESTMENT

Under the Act, the Bonds, in the State, are securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations, and other person carrying on an insurance business, all banks, trust companies, savings banks and savings associations, saving and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons authorized to invest in bonds or other obligations of the State, may properly and legally invest

funds, including capital, in their control or belonging to them. State laws governing specific types of investors may, however, impose restrictions on such investors with respect to the legality of purchase of the Bonds and may also contain limitations that permit purchases of the Bonds and may also contain limitations that permit purchases of the Bonds only with specified percentages of their assets.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12 (the “**Rule**”) of the Securities and Exchange Commission, the Authority has agreed to provide to certain parties certain annual financial information and notices of certain material events. A summary of the Authority’s continuing disclosure undertaking is included as **APPENDIX D** to this Official Statement. This undertaking may be enforced by any beneficial owner of the Bonds, but the Authority’s failure to comply will not be a default under the Indenture. The Authority has not, during the past five years, failed to comply with its continuing disclosure obligations under the Rule.

### **ADDITIONAL INFORMATION**

**THE BONDS OF EACH SERIES ARE LIMITED OBLIGATIONS, AND NOT GENERAL OBLIGATIONS, OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM AND SECURED SOLELY BY PLEDGED REVENUES AND OTHER MONEYS PLEDGED THEREFOR PURSUANT TO THE INDENTURE, WHICH CONSIST PRIMARILY OF PAYMENTS ON THE RELATED SERIES 2013A/B MORTGAGE-BACKED SECURITIES. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR GENERAL OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OR PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. SECTION 26.1 OF THE ILLINOIS HOUSING DEVELOPMENT ACT DOES NOT APPLY TO THE BONDS. THE BONDS ARE NOT A DEBT OF EITHER THE UNITED STATES OF AMERICA OR ANY AGENCY THEREOF OR OF GNMA OR FNMA AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.**

All of the foregoing summaries of the Act, and the Program Agreements are made subject to all of the provisions of the Act, and such documents and these summaries do not purport to be complete statements of such provisions. Reference is hereby made to the Act and such documents for further information in connection therewith. Copies of the aforementioned documents may be examined at the office of the Authority in Chicago, Illinois.

The agreements of the Authority with holders of the Bonds are fully set forth in the Indenture, the form of which is attached hereto as **APPENDIX E**. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact.

**ILLINOIS HOUSING DEVELOPMENT  
AUTHORITY**

By: /s/ Mary R. Kenney  
Mary R. Kenney, Executive Director

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## APPENDIX A

### **SUMMARY OF CERTAIN MORTGAGE INSURANCE AND SECURITY GUARANTY PROGRAMS**

#### **Introduction**

The United States Department of Housing and Urban Development (“**HUD**”), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various federal programs authorized under the National Housing Act of 1934, as amended (the “**National Housing Act**”), and the United States Housing Act of 1937, as amended. The Department of Veterans Affairs (“**VA**”) administers the mortgage guarantee program authorized under the Servicemen’s Readjustment Act of 1944, as amended (the “**Servicemen’s Readjustment Act**”). The Cranston-Gonzalez National Affordable Housing Act of 1990 authorized the establishment of FmHA Guaranteed Rural Housing Loan Program. These programs may be financed by annual appropriations from Congress, as well as by mortgage insurance premiums and fees; subsidies and insurance payments are in some cases made from trust funds established under the various programs.

Following is a summary of programs relating to mortgages which the Authority may finance under the Program and is only a brief outline and does not purport to summarize or describe all of the provisions of such programs. For a more complete description of the terms of such programs, reference is made to the provisions of the contracts embodied in the regulations of the FHA, the VA and the USDA/RD, respectively, and of the regulations, master insurance contracts and other such information of the various private mortgage insurers and federal government guarantors.

#### **Federal Housing Administration - Mortgage Insurance Programs**

The National Housing Act authorizes various Federal Housing Administration (“**FHA**”) mortgage insurance programs, which differ in some respects depending primarily upon whether the premises contain five or more dwelling units or less than five such units. Insurance benefits are payable only upon foreclosure (or other acquisition of possession) and conveyance of the premises to FHA. Assignment of a defaulted loan to FHA is no longer permitted.

Under some of the FHA insurance programs, insurance claims are paid by FHA in cash unless the insured specifically requests payment in debentures issued by FHA. Under others, FHA has the option at its discretion to pay insurance claims in cash or in such debentures. The current FHA policy, subject to change at any time, is to make insurance payments on single family mortgage loans in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment. FHA debentures issued in satisfaction of FHA insurance claims bear interest payable semiannually on January 1 and July 1 of each year at the FHA debenture interest rate in effect under FHA regulations on the date the FHA mortgage insurance commitment was issued or of the initial insurance endorsement of the mortgage loan, whichever rate is higher.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of the institution

of foreclosure or the date of acquisition of the property, whichever is earlier, and the insured generally is not compensated for interest accrued and unpaid prior to that date. However, the mortgagee will be reimbursed for uncollected interest resulting from the mortgagor's default on a forbearance agreement. Under such circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed 75% of the mortgagee's foreclosure costs. The regulations under all insurance programs described above provide that the insurance payment itself bears interest from the date of default by the mortgagor, which under HUD regulations will occur no less than 30 days after the due date of a mortgage payment to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property conveyed to FHA has been damaged by fire, earthquake, flood or tornado or the property has suffered damage due to failure of the mortgagee to make required inspection, it is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage lender prior to such conveyance. In some instances, when damage has resulted from failure of the mortgagee to inspect and preserve the property, FHA may deduct the amount of such damages from the insurance payment made by FHA.

The continuation of the availability of FHA mortgage insurance depends on periodic action by the United States Congress to increase the limitation on the aggregate amount of loan guarantees. Through legislative action by the United States Congress or changes in regulations by HUD, the fees and standards for participation in FHA insurance programs may change. It is not possible to predict the effect of legislative or regulatory action, if any, on the ability of the Authority to purchase Mortgage Loans or Mortgage-Backed Securities.

### **Department of Veterans Affairs - Mortgage Guaranty Program**

The Servicemen's Readjustment Act permits a veteran (or, in certain instances, the spouse of a veteran) to obtain a mortgage loan guaranty by the VA covering mortgage financing of the purchase of a one-to-four family dwelling unit. This program has no mortgage loan limits, requires no down payment from the purchaser and permits the guaranty of mortgage loans with terms limited by the estimated economic life of the property, up to approximately 30 years.

The VA uses a three-tier guaranty system. The maximum VA guaranty for mortgage loans of \$45,000 or less is a guaranty of 50% of the loan. The maximum VA guaranty for mortgage loans of more than \$45,000 to \$56,250 is \$22,500. The maximum VA guaranty for mortgage loans of more than \$56,250 to \$144,000 is a guaranty of the lesser of 40% of the loan or \$36,000, whichever is less. For loans of more than \$144,000 to \$417,000, 25% of the original principal amount of the mortgage loan. For loans greater than \$417,000, the maximum guaranty is generally 25% of the Federal Home Loan Mortgage Corporation ("**Freddie Mac**") conforming loan limit (such limit is currently \$417,000). Pursuant to the Housing and Economic Recovery Act of 2008 and the Veterans Benefits Improvement Act of 2008, the "maximum guaranty amount" for loans originated from January 1, 2009 through December 31, 2011 is 25% of the greater of: (a) the Freddie Mac conforming loan limit, and (b) 125% of the area median price for a single family residence, but in no case to exceed 175% of the Freddie Mac conforming loan

limit for a single family residence in the county which the property securing the loan is located. The actual guaranty may be less than the maximum guaranty as described above in the event a veteran's guaranty entitlement previously used for a guaranteed loan has not been restored by the VA.

The guaranty is reduced or increased pro rata with any reduction or increase in the amount of the guaranteed indebtedness, but in no event will the amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of the mortgaged premises is greater than the original guaranty, as adjusted. The VA may, at its option and without regard to the guaranty, make full payment to a mortgagee of unsatisfied indebtedness on a mortgage upon its assignment to the VA. Under certain circumstances, a mortgagee is required to accept partial payments on a loan that is more than 60 days overdue.

When a VA loan is foreclosed, the VA must decide whether to (i) acquire the property and pay off the debt or (ii) not acquire the property through the "no bid" process. Under option (ii), the VA gives instructions to the mortgagee to make "no bid" at the foreclosure sale and pays the guaranty amount to the mortgagee, leaving the mortgagee responsible for the disposition of the property. Mortgagees may also "buydown" the veteran's indebtedness at the time of the foreclosure sale to convert a no bid into a VA acquisition. "No bids" are more likely if the property has significantly declined in value, because the cost to the VA may be less than their expected cost to acquire, manage and dispose of the property.

### **United States Department of Agriculture/Rural Development (Formerly Farmers Home Administration) - Guaranteed Rural Housing Loan Program**

The Cranston-Gonzalez National Affordable Housing Act of 1990 authorized the establishment of FmHA (now Rural Development, acting through the United States Department of Agriculture, "USDA/RD") Guaranteed Rural Housing Loan Program. Applicants whose adjusted annual income does not exceed 115% of median area income are eligible for these loans, subject to the geographic restrictions described below. The interest assistance paid monthly by USDA/RD to the loan servicer reduces the borrower's effective interest rate. The amount of interest rate reduction is dependent upon the household's annual income, which is recertified by the loan servicer annually. Legislation is annually introduced as part of the federal appropriation process providing for funding; however there is no assurance that such legislation will be adopted.

The USDA/RD-guaranteed Rural Housing Loan Program is available with respect to mortgage loans for the acquisition of existing or newly constructed single family, nonfarm principal residences occupied by the borrower. Such mortgage loans are limited to properties in certain rural areas which have a population not in excess of 20,000.

The USDA/RD Guaranty covers the lesser of (a) any loss of an amount equal to 90% of the principal amount actually advanced to the borrower or (b) any loss sustained by the lender of an amount up to 35% of the principal amount actually advanced to the borrower, plus any additional loss sustained by the lender of an amount up to 85% of the remaining 65% of the

principal amount actually advanced to the borrower. Under this program, “lender” includes a purchaser of a guaranteed loan, such as the Authority. “Loss” includes only (i) principal and interest on the loan, (ii) if applicable, any loan subsidy due and owing, (iii) any principal and interest indebtedness on USDA/RD-approved protective advances made for protection and preservation of the property and (iv) certain foreclosure costs. If liquidation of the property is conducted by the lender in an expeditious manner, interest is covered to the date of final loss settlement. If the property is sold in liquidation to a bona fide third-party purchaser, the net proceeds of such sale is the basis for calculating the loss to the lender. If the lender acquires the property in the liquidation process, the lender is allowed up to six months from the date the property is acquired to sell the property. The net payment will be based on the net proceeds received for the property. If no sale offer is accepted within six months, the basis for determining the loss to the lender is the current appraised market value of the property as of the date of acquisition by the lender, less the estimated liquidation costs, including an allowance for the estimated time the property will be held by the lender. USDA/RD does not accept conveyance of the property, but rather pays the lender’s claim upon foreclosure. The claim payment includes actual costs incurred by the lender, including interest expense, and an allowance for the costs associated with liquidating the property.

### **GNMA and the GNMA Mortgage-Backed Securities**

*General.* The summary of the GNMA Program, GNMA Mortgage-Backed Securities and other documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Guide (copies of which may be obtained from GNMA at the Office of Mortgage-Backed Securities, 451 Seventh Street, S.W., Washington, D.C. 20410) and to the GNMA Mortgage-Backed Securities and other documents for full and complete statements of their provisions.

GNMA is a wholly owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development (“HUD”) whose principal office is located in Washington, D.C.

GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by trusts or pools composed of mortgage loans insured or guaranteed under the National Housing Act, Title V of the Housing Act of 1949, the Servicemen’s Readjustment Act, Chapter 37 of Title 38 of the United States Code or Section 184 of the Housing and Community Development Act of 1992 or guaranteed by the USDA/RD under its guaranteed Single Family Rural Housing Program. Section 306(g) further provides that “the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty by GNMA.” An opinion, dated December 9, 1969, of an Assistant Attorney General of the United States states that such guarantees under Section 306(g) of mortgage-backed certificates are authorized to be made by GNMA and “would constitute general obligations of the United States backed by its full faith and credit.”

There are two GNMA MBS programs, GNMA I and GNMA II. Any GNMA Mortgage-Backed Security acquired by the Trustee will be a “fully modified pass-through” security (guaranteed by GNMA pursuant to its GNMA I or GNMA II MBS program) which will require

the servicer to pass through to the holder thereof the regular monthly payments on the underlying mortgage loans (less the service fees), whether or not the servicer receives such payments from the mortgagors on the underlying mortgage loans, plus any unscheduled recoveries of principal of the mortgage loans received by the servicer during the previous month. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Mortgage-Backed Security. The Treasury Department is authorized to purchase any obligations so issued by GNMA and has indicated in a letter, dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD, that the Treasury Department will make loans to GNMA, if needed, to implement the aforementioned guaranty.

Under the terms of its guaranty, GNMA also warrants to the holder of the GNMA Mortgage-Backed Security that, in the event GNMA is called upon at any time to make payment on its guaranty of the principal of and interest on the GNMA Mortgage-Backed Security, it will, if necessary, in accordance with Section 306(d) of Title III of the National Housing Act, apply to the Secretary of the United States Treasury Department for a loan or loans in amounts sufficient to make such payments of principal and interest.

***Servicing of the Mortgages.*** Under contractual agreements entered into by and between the servicer and GNMA, the servicer is responsible for servicing and otherwise administering the mortgage loans underlying the GNMA Mortgage-Backed Securities in accordance with generally accepted practices of the mortgage banking industry and the GNMA Servicer's Guide (the "**GNMA Guide**").

The monthly remuneration of the servicer, for its servicing and administrative functions, and the guaranty fee charged by GNMA are based on the unpaid principal amount of the GNMA Mortgage-Backed Securities outstanding. The GNMA Mortgage-Backed Securities carry an interest rate that is fixed at 0.50% below the interest rate on the underlying mortgage loans; the servicing and guaranty fees (equal on a monthly basis to 1/12 of 0.50% of the outstanding principal balance of the mortgage loans) are deducted from payments on the mortgage loans before payments are passed through to the holder of the GNMA Mortgage-Backed Security.

It is expected that interest and principal payments on the mortgage loans underlying the GNMA Mortgage-Backed Securities received by the servicer will be the source of payments on the GNMA Mortgage-Backed Securities. If such payments are less than what is due, the servicer is obligated to advance its own funds to ensure timely payment of all amounts coming due on the GNMA Mortgage-Backed Securities. GNMA guarantees such timely payment in the event of the failure of the servicer to pay an amount equal to the scheduled payments (whether or not made by the mortgagors on the underlying mortgages).

The servicer is required to advise GNMA in advance of any impending or actual default on scheduled payments so that GNMA, as guarantor, will be able to continue such payments as scheduled on the applicable payment date. If, however, such payments are not received as scheduled, the holder has recourse directly to GNMA.

***Default by Servicer.*** In the event of a default by the servicer, GNMA shall have the right, by letter to the servicer, to effect and complete the extinguishment of the servicer's interest in the mortgage loans underlying the GNMA Mortgage-Backed Securities, and such mortgage loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the owner of the GNMA Mortgage-Backed Security. In such event, GNMA will be the successor in all respects to the servicer with respect to the transaction and the agreements set forth or arranged for in the GNMA Guide.

***Payment of Principal and Interest on the GNMA Mortgage-Backed Securities.*** Under the GNMA I Program, the servicer makes separate payments, by the fifteenth day of each month, directly to each owner of GNMA Mortgage-Backed Securities for each of the GNMA Mortgage-Backed Securities held.

Payment of principal of each GNMA Mortgage-Backed Security is expected to commence on the fifteenth day of the month following issuance of the GNMA Mortgage-Backed Security.

Each installment on a GNMA Mortgage-Backed Security is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Mortgage-Backed Security. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Mortgage-Backed Security. The amount of principal due on the GNMA Mortgage-Backed Security shall be in an amount at least equal to the scheduled principal amortization currently due on the mortgage loans. However, payment of principal and interest is to be adjustable as set forth below.

Each of the monthly installments on a GNMA Mortgage-Backed Security is subject to adjustment by reason of any prepayments or other unscheduled recoveries of principal on the underlying mortgage loans. In any event, the servicer will pay to the holder of the GNMA Mortgage-Backed Security monthly installments of not less than the interest due on the GNMA Mortgage-Backed Security at the rate specified in the GNMA Mortgage-Backed Security, together with any scheduled installments of principal, whether or not such interest or principal is collected from the mortgagors, and any prepayments or unscheduled recovery of principal. Final payment shall be made upon surrender of the outstanding GNMA Mortgage-Backed Security.

## **FNMA and the FNMA Mortgage-Backed Securities**

***General.*** The summary and explanation of FNMA, FNMA's mortgage-backed securities program and the other documents referred to herein do not purport to be complete. Reference is made to said documents for full and complete statements of their provisions. Said documents and the FNMA MBS Program are subject to change at any time by FNMA. At the time of printing this Official Statement, general information regarding FNMA can be accessed at <http://www.fanniemae.com>. The Authority makes no representations regarding the content or accuracy of the information provided at such website, and such website is not part of this Official Statement.

FNMA is a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. §1716 *et seq.*).

FNMA was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market. FNMA became a stockholder-owned and privately managed corporation in 1968. FNMA is subject to the supervision and regulation of the Federal Housing Finance Agency, an independent agency of the federal government, to the extent provided in the Housing and Economic Recovery Act of 2008.

On February 11, 2011 President Barack Obama proposed a housing plan which outlines three broad options for changing the housing finance system in the United States. The proposal includes various alternatives for the future of the federal government's role in the housing market, including options which impact the future of Fannie Mae and Freddie Mac. The Authority cannot predict the long term consequences of the federal conservatorship of Fannie Mae and Freddie Mac or of the future status of Fannie Mae and Freddie Mac and cannot predict the impact of the President's proposal or of any future proposal or legislation on the housing market or the corresponding impact on the Authority or the Program.

FNMA provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. FNMA acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. FNMA operates a mortgage-backed securities program pursuant to which FNMA issues securities backed by pools of mortgage loans (the "**FNMA MBS Program**").

Although the Secretary of the Treasury of the United States has certain discretionary authority to purchase obligations of FNMA, neither the United States nor any agency or instrumentality thereof is obligated to finance FNMA's obligations or to assist FNMA in any manner.

*The obligations of FNMA, including its obligations under the FNMA Mortgage-Backed Securities, are obligations solely of FNMA are not backed by, or entitled to, the full faith and credit of the United States of America.*

The terms of the FNMA MBS Program are governed by the FNMA Selling and Servicing Guides published by FNMA (the "**FNMA Guides**"), as modified by the Pool Purchase Contract, and in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "**Trust Indenture**"), and a supplement thereto to be issued by FNMA in connection with each pool. The FNMA MBS Program is further described in the MBS Prospectus issued by FNMA (the "**FNMA Prospectus**"). The FNMA Prospectus is updated and supplemented from time to time.

Copies of the FNMA Prospectus and FNMA's most recent annual and quarterly reports and proxy statements are available without charge from the Office of Investor Relations, FNMA, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016. At the time of printing this Official Statement, these documents can be accessed at [http://www.fanniemae.com/markets/mbssecurities/prospectuses/pro\\_role.jhtml](http://www.fanniemae.com/markets/mbssecurities/prospectuses/pro_role.jhtml). However, information on the FNMA's website is not part of this Official Statement.

The summary of the FNMA MBS Program set forth under this caption does not purport to be comprehensive and is qualified in its entirety by reference to the FNMA Guides, the FNMA Mortgage-Backed Securities, the FNMA Prospectus and the other documents referred to herein.

Each FNMA Mortgage-Backed Security represents the entire interest in a specified pool of conventional mortgage loans purchased by FNMA and identified in records maintained by FNMA. The Pool Purchase Contract will require that each FNMA Mortgage-Backed Security be in a minimum amount of \$500,000. Each FNMA Mortgage-Backed Security will bear interest at the pass-through rate specified thereon.

FNMA will guarantee to the registered holder of the FNMA Mortgage-Backed Securities that it will distribute amounts representing scheduled principal and interest at the applicable Pass-Through Rate on the mortgage loans in the pools represented by such FNMA Mortgage-Backed Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated mortgage loans, whether or not such principal balance is actually received. *The obligations of FNMA under such guarantees are obligations solely of FNMA and are not backed by, nor entitled to the full faith and credit of the United States.* If FNMA were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of the FNMA Mortgage-Backed Securities, would consist solely of payments and other recoveries on the underlying conventional mortgage loans, and accordingly, monthly distributions to the Trustee, as the holder of the FNMA Mortgage-Backed Securities, and payments on the Bonds could be adversely affected by prepayments, delinquent payments and defaults on such conventional mortgage loans.

***Payment of Principal and Interest on the FNMA Mortgage-Backed Securities.*** Payments on a FNMA Mortgage-Backed Security will be made to the Trustee on the 25th day of each month (beginning with the month following the month such FNMA Mortgage-Backed Security is issued), or if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each FNMA Mortgage-Backed Security, FNMA will distribute to the Trustee an amount equal to the total of (1) the principal due on the mortgage loans in the related pool underlying such FNMA Mortgage-Backed Security during the period beginning on the second day of the month before the month of such distribution and ending on the first day of such month of distribution, (2) the stated principal balance of any mortgage loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose any mortgage loan repurchased by FNMA because of FNMA's election to repurchase the mortgage loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest or because of FNMA's election to repurchase such mortgage loan under certain other circumstances as permitted by the Trust Indenture), (3) the amount of any partial prepayment of a mortgage loan received in the second month next preceding the month of distribution, and (4) one month's interest at the Pass-Through Rate on the principal balance of the FNMA Mortgage-Backed Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, on the principal balance of the FNMA Mortgage-Backed Security on its issue date).



For purposes of distributions, a mortgage loan will be considered to have been prepaid in full if, in FNMA's reasonable judgment, the full amount finally recoverable on account of such mortgage loan has been received, whether or not such full amount is equal to the stated principal balance of the mortgage loan. FNMA may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month before the month of distribution but is under no obligation to do so.

### **Property Insurance Requirements for Mortgage Loans**

**Primary Hazard Insurance.** Each Mortgage Loan must contain covenants relating to insurance of the residence. The coverage must include all fire and extended coverage risks customarily insured against in the geographical area in which the residence is located. The insurance policy must provide, as a minimum, fire and extended coverage insurance in an amount at least equal to the lesser of the unpaid principal amount of the Mortgage Loan from time to time outstanding or the full replacement cost of the residence and other improvements on said property (but in no event shall the amount required be greater than the maximum insurable value of such residence and other improvements). Such insurance must be in effect (or there must be a binder for the issuance of the same) on the date of delivery of the Mortgage Loan to the Authority; the coverage provided thereby must meet the requirements, if applicable, of FHA, VA, USDA/RD or the private mortgage insurer. Each hazard insurance policy must be written by an insurance carrier licensed or authorized by law to transact business in Illinois, and the policy must contain a standard mortgagee clause naming the Authority as an insured and provide notice to the Authority at least 10 days in advance of the effective date of any reduction in coverage or cancellation of the policy.

Unless the servicer maintains a mortgagee single-interest hazard insurance policy (with the Authority named as additional insured in the case of Mortgage Loans that are not represented by, or supporting, a mortgage-backed security) insuring the servicer against loss from a mortgagor's failure to maintain a hazard insurance policy, the mortgagor will be required to escrow hazard insurance premiums on a monthly basis with the servicer, and the servicer will retain possession of the insurance policy and be responsible for assuring that such insurance is in force and effect.

In general, a standard form of fire and extended coverage policy covers physical damage to, or destruction of, the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, vandalism, aircraft, vehicles, theft and civil commotion, subject to the conditions and exclusions particularized in each policy. Although policies relating to different Mortgage Loans may be issued by different insurance companies and, therefore, may have minor differences in coverage, the basic terms are dictated by State law. Policies typically exclude physical damage resulting from the following: enemy attack by armed forces, invasion, insurrection, rebellion, revolution, civil war, usurped power, floods and water damage, power interruption, earth movement, nuclear reaction and neglect. In addition, such policies typically exclude losses which occur while the hazard is increased by any means within the control or knowledge of the insured or while the premises are vacant or unoccupied beyond a period of 30 consecutive days.

***Special Hazard Insurance.*** To the extent required by the Authority, a separate special hazard insurance policy may be obtained to provide protection with respect to direct physical loss arising from perils not insured under the primary hazard insurance as described above and losses that may result from the application of a coinsurance clause with respect to a defaulted mortgage loan secured by damaged property. However, certain perils are not insured under special hazard insurance such as loss resulting from fraudulently created loans, war, certain governmental actions, nuclear reaction or radiation and damage by flood to the extent covered by required flood insurance as described below.

***Uninsured Casualties.*** Certain risks, including, but not limited to, losses attributable to nuclear reaction or radiation or losses caused by hostile or warlike action, or attributable to insurrection, revolution or civil war, are normally not covered by the insurance policies described above. To the extent any of such uninsured risks occur or claims do not result in full recoveries or the required insurance is not purchased or maintained with respect to a significant number of mortgage loans, the security for the Bonds may be impaired.

***Flood Insurance.*** Each Residence which is in a “designated flood hazard area,” as that term is defined under the National Flood Insurance Program, must be insured from loss by floods in an amount equal to the maximum insurance available under the National Flood Insurance Program.

***Participant’s Obligations Regarding Insurance.*** The servicer of Mortgage Loans is required to use its best efforts to maintain in effect, or to require the mortgagor to maintain, the primary hazard and flood insurance required under the Program on all residences as long as the Bonds are outstanding. In addition, the servicer is obligated to perform its duties in a manner which will preserve all claims against insurers.

***Errors and Omissions Insurance; Fidelity Insurance; Theft and Forgery Insurance.*** The Master Servicer is required to maintain in full force and effect, at its own expense, errors and omissions insurance, fidelity insurance (or a direct surety bond) and theft and forgery insurance on those of its officers and employees having access to any amounts paid by mortgagors under the Program. The Master Servicer may provide such insurance under any blanket policy or policies which it customarily carries.

## APPENDIX B

### FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Illinois Housing Development Authority  
401 North Michigan Avenue  
Chicago, IL 60611

Illinois Housing Development Authority  
\$78,750,000  
Housing Revenue Bonds, Series 2013A  
(MBS Pass-Through Program)  
\$21,250,000  
Federally Taxable Housing Revenue Bonds  
Series 2013B (MBS Pass-Through Program)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Illinois Housing Development Authority (the “**Authority**”) of \$78,750,000 in aggregate principal amount of its Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program) (the “**Series 2013A Bonds**”) and \$21,250,000 in aggregate principal amount of its Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program) (the “**Series 2013B Bonds**”) and, collectively with the Series 2013A Bonds, the “**Bonds**”). The Bonds are issued pursuant to the Illinois Housing Development Act, 20 ILCS 3805/1 et seq., as amended (the “**Act**”), a resolution adopted by the Authority on February 15, 2013 (the “**Resolution**”) and a Trust Indenture, dated as of April 1, 2013 (the “**Indenture**”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. All terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

*The Bonds are limited obligations, and not general obligations, of the Authority and are payable solely out of the pledged revenues and other moneys pledged therefore pursuant to the Indenture. The Authority has no taxing power. The Bonds do not constitute a debt, liability or general obligation of the State of Illinois (the “**State**”) or any political subdivision thereof or pledge of the faith and credit or taxing power of the State or any political subdivision thereof. Section 26.1 of the Act shall not apply to the Bonds. The Bonds are not a debt of either the United States of America or any agency thereof or of the Federal National Mortgage Association or Government National Mortgage Association and are not guaranteed by the full faith and credit of the United States of America.*

The proceeds made available upon the issuance of the Bonds will be used to acquire or reimburse the Authority for acquiring certain Mortgage-Backed Securities (including interests

therein), which finance certain Mortgage Loans made to eligible borrowers on owner-occupied residences for persons and families of low and moderate income in Illinois.

The Bonds are dated, mature and bear interest as provided in the Indenture. The Bonds are subject to prepayment and redemption by the Authority prior to maturity upon the terms provided in the Indenture.

In connection with the issuance of the Bonds, we have examined (a) the Resolution; (b) the Indenture, particularly certain covenants therein relating to the requirements for the Mortgage-Backed Securities to be financed thereunder with proceeds made available upon the issuance of the Bonds; (c) the form of the Mortgage Purchase Agreement entered into between the Authority and each Lender, the form of the First Supplement to the Mortgage Purchase Agreement entered into among the Authority, U.S. Bank National Association, in its capacity as Master Servicer, and each Lender, and the Authority's Home Start Procedural Guide (the "**Procedural Guide**") as revised February 2010 relating to its single family mortgage loan program, which agreements and Procedural Guide require the delivery of certain affidavits and other documents prior to the financing of any Mortgage Loans thereunder; and (d) such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The Authority is a body politic and corporate, not a State agency but an independent instrumentality exercising essential public functions, duly organized and existing under the Constitution and laws of the State, particularly the Act. Pursuant to the Act, the Authority is empowered to issue the Bonds for the purpose of making funds available to acquire Mortgage-Backed Securities (including interests therein) in order to finance Mortgage Loans for single family housing in the State for low- and moderate-income persons, and to pledge and grant a security interest in the revenues, amounts and assets in the Funds and Accounts established by the Indenture.

2. The Bonds have been validly authorized, executed and issued in accordance with the laws of the State and represent valid and binding limited obligations of the Authority that are payable out of the revenues or moneys of the Authority pledged therefor pursuant to the Indenture. Pursuant to the Indenture, the principal of and the interest on the Bonds are secured by a pledge of and security interest in Bond proceeds, the Mortgage-Backed Securities identified in Exhibit B to the Indenture, all Permitted Investments (as defined in the Indenture), all Pledged Revenues (defined in the Indenture) derived therefrom, and all money, Permitted Investments and other assets and income held in and receivable by Funds and Accounts established by or pursuant to the Indenture, all subject to the right of the Authority to direct withdrawals of amounts from said Funds and Accounts upon the conditions set forth in the Indenture.

3. The Authority has duly adopted the Resolution. The Indenture has been validly authorized, executed and delivered, is in full force and effect and is valid and binding on the Authority, and the holders of the Bonds are entitled to the benefits thereof.

4. Under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes. Interest on the 2013A Bonds is neither a specific preference item nor included in adjusted current earnings for purposes of the federal alternative minimum tax.

5. Interest on the Series 2013B Bonds is included in gross income for federal income tax purposes.

6. Under the Act, in its present form, the Bonds and all income from the Bonds is free from all taxation by the State or its political subdivisions, except for estate, transfer and inheritance taxes.

We express no opinion regarding any other consequences affecting the federal or state income tax liability of a recipient of interest on the Bonds.

The opinion we have expressed herein as to the treatment of the interest borne by the Bonds for federal income tax purposes is based upon laws, regulations, rulings and decisions in effect on the date hereof. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

The obligations of the Authority contained in the Bonds and the Indenture, and the enforceability thereof, are subject to general principles of equity which may permit the exercise of judicial discretion, the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, applicable bankruptcy, insolvency, moratorium or similar laws relating to or affecting creditors’ rights generally, and the exercise by the United States of America of the powers delegated to it by the Constitution.

Very truly yours,

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## APPENDIX C

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company (“**DTC**”) New York, New York, will act as the initial Securities Depository for the Bonds offered hereby. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**DTC Direct Participants**”) deposit with DTC. DTC also facilitates the post trade settlement among DTC Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between DTC Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. DTC Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly (“**DTC Indirect Participants**”). DTC has a Standard & Poor’s rating of “AA+.” The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by DTC Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the DTC Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The DTC Direct Participants and DTC Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. So long as Cede & Co., as nominee for DTC, is the owner of the Bonds, the Authority shall treat Cede & Co. as the only owner of the Bonds for all purposes under the Indenture, including receipt of all principal of, premium, if any, and interest on the Bonds and receipt of notices.

Conveyance of notices and other communications by DTC to DTC Direct Participants, by DTC Direct Participants to DTC Indirect Participants, and by DTC Direct Participants and DTC Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, unless the "Pro-Rata Pass Through Distribution of Principal" method is employed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. As described in the Official Statement under "**THE BONDS – Prepayment and Redemption Provisions-Prepayments from Mortgage Repayments on the Series 2013A/B Mortgage-Backed Securities,**" it is the Authority's intention that the redemption allocations for the Bonds be made by DTC on a pro rata basis in accordance with DTC's "Pro-Rata Pass Through Distribution of Principal" rules and procedures. If DTC's operational arrangements do not allow for redemption of the Bonds on a pro rata pass through distribution of principal basis, then the Bonds selected for redemption will be made in accordance with DTC's procedures then in effect.

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an



authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to DTC Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC Direct Participant and DTC Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. The Authority may also determine that DTC is incapable of discharging its duties or that continuation of the book entry system is not in the best interests of the Beneficial Owners. In either situation, if the Authority fails to identify a successor securities depository, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

*None of the Trustee, any paying agent or the Authority has any responsibility or obligations to the DTC Direct Participants, the DTC Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Direct Participant or DTC Indirect Participant; (b) the payment by DTC of any amount due to any DTC Direct Participant or the payment by any DTC Direct Participant or DTC Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Bonds; (c) the delivery or timeliness of delivery by DTC of any notice to any DTC Direct Participant or the delivery or timeliness of delivery by any DTC Direct Participant or DTC Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of the Bonds; or (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as registered owner. The Beneficial Owners of the Bonds will rely on DTC Direct Participants and DTC Indirect Participants for timely payments and other notices and for otherwise making available to the Beneficial Owner the rights of a Bondholder. No assurances can be provided that, in the event of bankruptcy or insolvency of DTC, a DTC Direct Participant or a DTC Indirect Participant through which a Beneficial Owner holds beneficial interests in the Bonds, payments will be made by DTC, the DTC Direct Participant or a DTC Indirect Participant on a timely basis.*

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## APPENDIX D

### CONTINUING DISCLOSURE UNDERTAKING

**Undertaking.** The Authority undertakes to make all required filings and reports so that all requirements of Rule 15c2-12(b)(5) (the “**Rule**”) of the United States Securities and Exchange Commission (the “**SEC**”), as amended from time to time, applicable to the Authority are met with respect to the Bonds.

**Annual Financial Information.** Each year the Authority will provide annual financial information concerning the Bonds to the Municipal Securities Rulemaking Board (“**MSRB**”) through its Electronic Municipal Market Access System (“**EMMA**”) or through such other electronic format or system prescribed by the MSRB or the SEC for purposes of Rule 15c2-12. The annual financial information will include the Authority’s audited financial statements, prepared in accordance with generally accepted accounting principles as in effect from time to time. The annual financial information will be provided as soon as possible after completion of the Authority’s audited financial statements, beginning with the fiscal year ending June 30, 2013. Copies of the annual financial information will also be made available to any beneficial or registered owner of the Bonds upon request.

The annual financial information may include any or all information by incorporating, by specific reference, other documents which have been provided to EMMA. If the incorporated information is in an Official Statement, it must be available from the MSRB. The annual financial information will include a notice of any change in the Authority’s fiscal year.

**Reporting Significant Events.** Upon the occurrence of any of the following events with respect to the Bonds, the Authority will report the event to EMMA in a timely manner and in any event within ten (10) business days of the occurrence of such event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements (if any are subsequently provided) reflecting financial difficulties;
- (v) substitution of credit or liquidity providers (if any such enhancement is subsequently provided) or their failure to perform;
- (vi) if applicable, adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Owners of the Bonds, if material;

- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (xiv) the appointment of a successor or additional trustee or the change of the name of a trustee, if material.

The Authority will give a copy of each such report to the Trustee. The Authority will give notice in a timely manner to the Trustee and to EMMA of any failure to timely provide the annual financial information as provided in the continuing disclosure undertaking.

**Enforcement.** The agreements of the Authority in the continuing disclosure undertaking are a contract between the Authority and the beneficial and registered owners from time to time of the Bonds. Such agreements may be enforced by any beneficial or registered owner of the Bonds. The sole remedy with respect to the Authority's compliance with its undertaking will be to require compliance. The continuing disclosure undertaking is solely for the benefit of the beneficial or registered owners of the Bonds from time to time, and will create no right in anyone else. The Trustee has no powers or duties under the continuing disclosure undertaking. No violation by the Authority of any provision described in the continuing disclosure undertaking will constitute any Event of Default or a default under the Indenture or under the Act.

**Termination.** The obligation of the Authority under this continuing disclosure undertaking will end upon the Bonds being paid or treated as paid as provided in Article XII of the Indenture, except for the obligations to give notice under clauses (vi) or (viii) above under the caption "**Reporting Significant Events.**"

**Amendment.** The Authority may by resolution amend the continuing disclosure undertaking at any time to the extent and in the manner allowed by the Rule, as amended from time to time, *provided* that the Authority's agreements under the continuing disclosure undertaking, as amended, continue to comply with the Rule. Any amendment will be effective upon receipt by the Authority of an opinion to that effect delivered by counsel with significant federal securities law expertise as selected by the Authority. Any amendment must be described in the Authority's next annual financial information disclosure provided to EMMA and the Trustee.

**APPENDIX E**  
**FORM OF INDENTURE**

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**TRUST INDENTURE**

by and between

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**  
as Trustee

relating to

Illinois Housing Development Authority  
\$78,750,000  
Housing Revenue Bonds, Series 2013A  
(MBS Pass-Through Program)  
\$21,250,000  
Federally Taxable Housing Revenue Bonds  
Series 2013B (MBS Pass-Through Program)

Dated as of April 1, 2013

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## TRUST INDENTURE

**THIS TRUST INDENTURE** (this “Indenture”) is made and entered into as of April 1, 2013 by and between the **ILLINOIS HOUSING DEVELOPMENT AUTHORITY** (together with any successor to its rights, duties and obligations hereunder, the “Authority”), a body politic and corporate of the State of Illinois (the “State”), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association organized and operating under the laws of the United States of America, with its corporate trust office in Chicago, Illinois, as trustee (together with any successor trustee hereunder, the “Trustee”).

### WITNESSETH:

WHEREAS, pursuant to the Constitution and laws of the State, particularly the Illinois Housing Development Act (the “Act”), the Authority is authorized to carry out the public purposes described in the Act by issuing its revenue bonds to, among other things, finance home mortgages for residential housing (through the acquisition of mortgage-backed securities backed by or representing mortgage loans made to low- and moderate-income persons in the State) and by pledging payments of such home mortgages (or other security, if any, therefor) as security for the payment of the principal of and interest on any such revenue bonds and by entering into any agreements made in connection therewith; and

WHEREAS, to provide more adequate residential housing facilities for low- and moderate-income families and persons within the State who are eligible under the Act, the Authority has developed a program (as more fully described herein, the “Program”) pursuant to which: (a) the Authority will issue its revenue bonds to provide funds to acquire (or to reimburse the Authority for acquiring) fully modified pass-through mortgage backed securities (as more fully described herein, the “Mortgage-Backed Securities”) from the Authority’s Administrative Fund (hereinafter defined), which Mortgage-Backed Securities are guaranteed by the Federal National Mortgage Association (“FNMA”) or Government National Mortgage Association (“GNMA”), as applicable, and backed by certain qualified home mortgage loans (the “Mortgage Loans”); (b) U.S. Bank National Association (the “Master Servicer”), acting pursuant to that certain Master Servicing Agreement, dated as of April 14, 2009, as amended, for reservations prior to October 8, 2012 (the “Original Servicing Agreement”), and pursuant to that certain Master Servicing Agreement, dated October 9, 2012 for reservations after October 8, 2012 (the “New Master Servicing Agreement” and, collectively with the Original Master Servicing Agreement, the “Master Servicing Agreement”), between the Authority and the Master Servicer, has purchased Mortgage Loans, from certain lenders participating in the Program (as described herein, the “Participants”), pooled such Mortgage Loans, issued the GNMA Mortgage-Backed Securities, acquired the FNMA Mortgage-Backed Securities and agrees to service the Mortgage Loans and perform certain other duties in connection with the Program; and (c) the Participants have originated the Mortgage Loans pursuant to (i) individual origination agreements (collectively, the “Origination Agreements”), between the Master Servicer and each Participant, (ii) the Act, (iii) the Internal Revenue Code of 1986, as amended, and (iv) the Authority’s procedures and have sold such Mortgage Loans to the Master Servicer; and

WHEREAS, the Authority has determined to issue its Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program) in the aggregate principal amount of \$78,750,000 (the “Series 2013A Bonds”), and its Federally Taxable Housing Revenue Bonds Series 2013A (MBS Pass-Through Program) in the aggregate principal amount of \$21,250,000 (the “Series 2013B Bonds” and, collectively with the Series 2013A Bonds, the “Bonds”) pursuant to this Indenture and to secure each Series (as defined herein) of such Bonds by a pledge and assignment of the related Mortgage-Backed Securities described herein, for the purposes described in the preceding paragraph; and

WHEREAS, the Series 2013A Mortgage-Backed Securities (as defined herein) shall be pledged to the security and payment of the Series 2013A Bonds, and the Series 2013B Mortgage-Backed Securities (as defined herein) shall be pledged to the security and payment of the Series 2013B Bonds, and the Owners (as defined herein) of one Series of Bonds shall have no rights with respect to the Mortgage-Backed Securities pledged as security for the other Series of Bonds; and

WHEREAS, the Bonds and the Trustee’s certificate of authentication to be endorsed on such Bonds are all to be in substantially the forms set forth in Exhibit A hereto, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture; and

WHEREAS, the terms of this Indenture are consistent with the Bond Resolution; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid, binding and legal limited obligations of the Authority, and for this Indenture to constitute a valid assignment and pledge of the amounts pledged to the payment of the principal of and interest on the Bonds of a Series and a valid pledge and assignment of the rights of the Authority in the Mortgage-Backed Securities related to such Series, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

#### GRANTING CLAUSES

In consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure the payment when due of the principal of and interest on the Bonds according to their tenor and effect and the performance and observance by the Authority of all the covenants expressed or implied herein and in the Bonds, the Authority does hereby irrevocably pledge, grant a security interest in and assign unto the Trustee in trust forever:

#### GRANTING CLAUSE FIRST

All right, title and interest of the Authority in and to the Mortgage-Backed Securities, including all extensions and renewals of any of the terms thereof, if any, including, but without

limiting the generality of the foregoing, the present and continuing right to make claim for, collect and receive any income, revenues, receipts, issues and profits and other sums of money payable or receivable by the Authority under the Mortgage-Backed Securities, whether payable pursuant to the Mortgage Loans or otherwise, to bring actions and proceedings under the Mortgage-Backed Securities or for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do under the Mortgage-Backed Securities, provided that the Series 2013A Mortgage-Backed Securities shall secure the Series 2013A Bonds and the Series 2013B Mortgage-Backed Securities shall secure the Series 2013B Bonds, and the Owners of one Series of Bonds shall have no rights with respect to the Mortgage-Backed Securities pledged as security for the other Series of Bonds.

## GRANTING CLAUSE SECOND

The Pledged Revenues, as defined herein, and all moneys and securities from time to time held by the Trustee under and subject to the terms of this Indenture, and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, granted, assigned or transferred as and for additional security hereunder by the Authority or by anyone on its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof, subject to the right of the Authority to direct withdrawals of amounts from the Expense Fund upon the conditions set forth in this Indenture.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal benefit and security of all present and future Owners of the Bonds of a Series without preference of any Bond of a Series over any other of the same Series, and for enforcement of the payment of the Bonds in accordance with their terms, and all other sums payable hereunder or on the Bonds of a Series and for the performance of and compliance with the obligations, covenants and conditions of this Indenture, all as herein set forth;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and the interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article II hereof, or shall provide, as permitted by Article XII hereof, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and any paying agent for the Bonds all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds of a Series issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners, from time to time, of the Bonds of such Series, as follows (subject, however, to the provisions of Section 1.02 hereof).

## ARTICLE I

### DETERMINATIONS AND DEFINITIONS

**Section 1.01 Authority and Purpose.** This Indenture is entered into under the authority and in accordance with the provisions of the Act, for the purpose of facilitating an increase in the supply of decent, safe and sanitary housing available to persons and families of low- and moderate-income by financing the Mortgage-Backed Securities; and for the purpose of establishing covenants, agreements and procedures to assure that the Pledged Revenues received from financing such Mortgage-Backed Securities, together with other amounts pledged hereunder, will be sufficient for the repayment of money borrowed for this purpose, and that Pledged Revenues and other amounts pledged hereunder exceeding the amounts needed for this purpose will be applied in accordance with law for other purposes authorized by the Act.

**Section 1.02 Contract with Trustee and Bondholders.** As provided in the Act and in consideration of the acceptance by the Trustee of the trusts herein created and of the purchase and acceptance of Bonds issued hereunder by any who shall from time to time be holders thereof:

(a) the provisions of this Indenture shall be a contract of the Authority with the Trustee for the benefit of the holders of the Bonds;

(b) the Authority covenants that it will cause to be paid to and deposited with the Trustee, or to the Trustee's credit with fiduciaries designated by the Authority, all Pledged Revenues;

(c) the Authority pledges to the Trustee for the payment of the principal of and the interest on the Bonds of each Series at the times and in the manner provided in this Indenture, and grants a security interest in, on a Series by Series basis, (i) all related Mortgage-Backed Securities, and Permitted Investments made or purchased from such proceeds and (ii) all related Pledged Revenues; such pledge constitutes a first lien on such Mortgage-Backed Securities, Permitted Investments and Pledged Revenues, all subject to the right of the Authority to direct withdrawals of amounts from the Expense Fund upon the conditions set forth in this Indenture;

(d) the pledge made and security interests granted herein and the covenants and agreements herein set forth, to be performed by and on behalf of the Authority, shall be for the equal benefit, protection and security of holders of any and all Bonds of each Series, all of which, regardless of the time or times of their maturity, shall be of equal

rank without preference, priority or distinction of any Bond of such Series over any other Bond of such Series, except as expressly provided or permitted herein;

(e) this pledge is valid and binding from the time when made in accordance with and as provided in the Act; the property so pledged and hereafter received by the Authority shall immediately be subject to the lien thereof without any physical delivery or further act; the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, whether or not such parties have notice thereof; and neither this Indenture nor any other instrument by which such pledge is created need be recorded; and

(f) the Bonds are limited obligations, and not general obligations, of the Authority, payable solely out of any revenues and assets pledged hereunder. The Bonds do not constitute a debt of the State or any political subdivision thereof, and neither said State nor any of its political subdivisions is liable thereon, nor in any event shall said principal and interest be payable out of any funds or properties other than all or any part of the revenues and the assets pledged hereunder. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Section 26.1 of the Act shall not apply to the Bonds. Neither the Members of the Authority nor any persons executing the Bonds shall be liable personally on the Bonds or subject to any personal liability or accountability by reason of the issuance thereof.

**Section 1.03 Definitions.** The following words and phrases shall have the following meanings.

“*Accounts*” means all accounts established by Article V hereof.

“*Acquisition Fund*” means the fund of such name established by Section 5.01 hereof.

“*Act*” means the Illinois Housing Development Act, 20 ILCS 3805/1, et seq., as amended.

“*Administrative Fund*” means the Administrative Fund of the Authority.

“*Authority*” means the Illinois Housing Development Authority, a body politic and corporate of the State of Illinois.

“*Authority’s Fee*” means a fee, payable to the Authority monthly on each Interest Payment Date as provided in Section 5.06 hereof, in an amount equal to one-twelfth (1/12) of \_\_\_ basis points of the aggregate outstanding principal balance of the Mortgage-Backed Securities calculated as of the last Business Day of the month prior to such Interest Payment Date.

“*Authorized Officer*” means the Chairman, the Vice Chairman, the Executive Director, the Deputy Executive Director, the Secretary, the Treasurer, each Assistant Secretary, the Assistant Executive Director, each Assistant Treasurer, the Chief Financial Officer of the Authority or any other person authorized by resolution of the Authority and the Act to perform the act or sign a document.

“*Authorized Signatory*” means the Chairman, the Vice Chairman, the Treasurer, the Executive Director (or in the absence of the Executive Director, the Deputy Executive Director), the Assistant Executive Director, the Assistant Treasurer or any other person authorized by resolution of the Authority and under the Act to sign a particular document on behalf of the Authority.

“*Beneficial Owner*” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“*Bond*” or “*Bonds*” means collectively the Series 2013A Bonds and the Series 2013B Bonds authorized by Section 2.01 hereof.

“*Bond Counsel*” means the firm of Kutak Rock LLP or such other firm of nationally recognized bond counsel as the Authority shall select which is experienced in the issuance of tax-exempt revenue bonds under the exemptions provided under Section 103 of the Code.

“*Bondholder*,” “*Bondowner*” or “*Owner*” or any similar term means the registered Owner of any Outstanding Bond or Bonds as shown on the registration books kept by the Trustee.

“*Bond Resolution*” means the resolution of the Authority adopted on February 15, 2013, authorizing the issuance and sale of the Bonds and the Determination.

“*Book-Entry Bonds*” means the Bonds for which a Securities Depository or its nominee is the Bondholder.

“*Business Day*” means any day of the week other than a Saturday, a Sunday, any day which is a legal holiday in the city in which the principal corporate trust office of the Trustee is located or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York.

“*Code*” means the Internal Revenue Code of 1986, as amended, together with any corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or Internal Revenue Service, to the extent applicable to the Bonds or the Mortgage Loans.

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

“*Costs of Issuance Fund*” means the fund of such name established by Section 5.01 hereof.

“*Counsel’s Opinion*” means an opinion signed by any attorney or firm of attorneys (who may be employed or retained by or of counsel to the Authority or an attorney employed by the Trustee) licensed to practice in the state in which such attorney or firm of attorneys maintains an office (and if the opinion is with respect to an interpretation of federal tax laws or regulations, is also a nationally recognized attorney or firm of attorneys experienced in such matters), selected by or employed on behalf of the Authority or the Trustee.

“*Determination*” means each Determination of the Authority dated on or before the date of issuance of the Bonds, which Determination shall establish certain terms and provisions of the Bonds as provided in the resolution of the Authority adopted on February 15, 2013, authorizing the issuance and sale of the Bonds.

“*Direct Obligations*” means direct obligations of the United States of America or securities fully and unconditionally guaranteed as to the timely payment of principal of and interest by the United States of America; provided, however, that for purposes of Article XII hereof, such term does not include the Mortgage-Backed Securities.

“*DTC*” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Expense Fund*” means the fund of such name established by Section 5.01 hereof.

“*Fitch*” means Fitch Ratings, or any successor thereto.

“*FHA*” means the Federal Housing Administration of the United States Department of Housing and Urban Development of the United States of America or any successor thereto.

“*FNMA*” means the Federal National Mortgage Association or any successor thereto.

“*FNMA Guides*” means the FNMA Selling and Servicing Guides, as amended from time to time, as modified by an FNMA Pool Purchase Contract.

“*FNMA Mortgage-Backed Security*” means a certificate (in either physical or book-entry form) purchased by the Trustee, bearing interest at the Pass-Through Rate, issued by FNMA, recorded in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by FNMA and backed by Mortgage Loans in the related mortgage pool.

“*FNMA Pool Purchase Contract*” means an FNMA Pool Purchase Contract with FNMA relating to the sale of Loans to FNMA and the servicing thereof.

“*FNMA Trust Agreement*” means one or more trust agreements executed by FNMA with respect to FNMA Mortgage-Backed Securities pursuant to which FNMA has agreed or will agree to guarantee certificate distribution amounts under the FNMA MBS Program, and the applicable FNMA Guide now as hereafter in effect.

“*Funds*” means all funds established by Article V hereof.

“*GNMA*” means the Government National Mortgage Association, a wholly owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, and its successors or assigns. Its powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. § 1716 et seq.).

“*GNMA Guaranty Agreement*” means the one or more agreements between the Master Servicer and GNMA now or hereafter in effect pursuant to which GNMA has agreed or will agree to guarantee the GNMA Mortgage-Backed Securities.

“*GNMA Mortgage-Backed Security*” means a certificate (in either physical or book-entry form) purchased by the Trustee, issued by the Master Servicer and guaranteed by GNMA pursuant to GNMA’s GNMA I Mortgage Backed Securities program under Section 306(g) and other related provisions of the National Housing Act of 1934, as amended, and based on and backed by Mortgage Loans referred to in the GNMA Guaranty Agreement, which certificate shall unconditionally obligate the Master Servicer to remit monthly to the Trustee its pro rata share of (a) principal payments and prepayments made with respect to the Pool of Mortgage Loans represented by the GNMA Mortgage-Backed Security, and (b) interest received in an amount equal to the principal balance of the GNMA Mortgage-Backed Security multiplied by the applicable Pass-Through Rate. GNMA shall guarantee to the holder of each GNMA Mortgage-Backed Security such holder’s pro rata share of (i) the timely payment of interest at the applicable Pass-Through Rate on the unpaid principal balance of the Mortgage Loans represented by the GNMA Mortgage-Backed Security, and (ii) the timely payment of principal in accordance with the terms of the principal amortization schedule applicable to the Mortgage Loans represented by such GNMA Mortgage-Backed Security.

“*Illinois Affordable Housing Act*” means the Illinois Affordable Housing Act, 310 ILCS 65/1, et seq., as amended.

“*Indenture*” means this Trust Indenture, dated as of April 1, 2013, by and between the Authority and the Trustee, as it from time to time may be amended or supplemented in accordance with the terms and provisions hereof.

“*Interest Payment Date*” means, with respect to interest payable on the Bonds, the first calendar day of each month, commencing May 1, 2013.

“*Issuance Date*” means the date of delivery of the Bonds to the Underwriter.

“*Lender Manual*” means the Authority’s manual relating to the Program.

“*Master Servicer*” means U.S. Bank National Association or any successor to its rights, duties and obligations under the Origination Agreements.

“*MBS Interest*” means, on a Series by Series basis, the aggregate interest payments received on all related Mortgage-Backed Securities during the monthly period in question and available for payment of interest on the related Series of Bonds.

“*MBS Repayments*” means, on a Series by Series basis, the aggregate Mortgage Repayments received on all related Mortgage-Backed Securities during the monthly period in question and available for payment of principal of the related Series of Bonds.

“*Mortgage*” means the mortgage, deed of trust or other instrument, including any riders required by the Authority, securing a Mortgage Loan that creates a first lien on a Single Family Residence and is in form acceptable to FHA, VA, USDA/RD or FNMA, as applicable.



“*Mortgage-Backed Securities*” means the FNMA Mortgage-Backed Securities or GNMA Mortgage-Backed Securities described on Exhibit B hereto.

“*Mortgage Loan*” means a mortgage loan evidenced by a Mortgage Note secured by a related Mortgage on a Single Family Residence located in the State, the terms of which comply with the Authority’s Program Agreements.

“*Mortgage Note*” means the promissory note evidencing the obligation to repay a Mortgage Loan that shall be in the form acceptable to FHA, VA, USDA/RD or FNMA depending on whether the Mortgage Note evidences an FHA Mortgage Loan, a VA Mortgage Loan, a USDA/RD Mortgage Loan or a conventional loan, with such additions or modifications as may be required hereunder as approved by the Authority and the Master Servicer.

“*Mortgage Repayments*” means, on a Series by Series basis, (i) the scheduled payments of principal on a related Mortgage-Backed Security, including payments made by the Master Servicer for which it has not received payments on an underlying Mortgage Loan and including payments with respect to scheduled principal received from FNMA or GNMA, as applicable, pursuant to the related guaranty of the FNMA Mortgage-Backed Security or GNMA Mortgage-Backed Security, as applicable, and (ii) all amounts paid in respect of related Mortgage-Backed Securities received by the Authority or the Trustee from or on account of any Mortgage Loan as a recovery of the principal amount of any Mortgage Loan, other than scheduled principal payments (whether current or delinquent), including advance payments, prepayments, proceeds of any insurance in respect of the Mortgage Loan (except such insurance proceeds received by a Participant and designated for application to repair of the related property), amounts paid under any fidelity bond or errors and omissions policy covering actions by any Participant and proceeds from the sale, assignment, repurchase or other disposition of a Mortgage Loan or the mortgaged property in the event of a default thereon or otherwise.

“*Mortgagor*” means a maker or makers of, or any other party obligated on, a Mortgage Note, except a person (such as a guarantor or cosigner) who does not have a present ownership interest in the Single Family Residence subject to the related Mortgage, except as otherwise provided in the Origination Agreements.

“*Notice Address*” means:

to the Authority: Illinois Housing Development Authority  
401 North Michigan Avenue, Suite 700  
Chicago, IL 60611  
Attention: Executive Director

to Fitch: Fitch Ratings  
One State Street Plaza  
New York, NY 10004  
Attention: Charles Giordano  
Tax Exempt Housing

to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
2 North LaSalle Street, Suite 1020  
Chicago, IL 60602  
Attention: Rhonda Butler Jackson

to the Master Servicer: U.S. Bank National Association  
17500 Rockside Road  
Bedford, OH 44146-2099  
Attention: Client Support Executive  
Tax Exempt Housing

“*Origination Agreements*” means the individual origination agreements between the Master Servicer and each of the Participants, executed in connection with the Program as they may be amended from time to time, and all amendments and supplements thereto.

“*Outstanding*,” when used with reference to Bonds, means, as of any date, Bonds theretofore or then being delivered under the provisions of this Indenture, except (a) Bonds the payment or redemption for which there shall be held in trust by the Trustee under this Indenture, whether at or prior to maturity, (i) moneys equal to the principal amount or redemption price thereof, as the case may be, with interest through the end of the month immediately preceding any maturity date or Redemption Date, or (ii) Direct Obligations (other than the Mortgage-Backed Securities) in such principal amounts, having such maturities and bearing such interest, as, together with moneys, if any, shall be sufficient to pay when due, the principal amount or redemption price, as the case may be, with interest through the end of the month immediately preceding such maturity date or Redemption Date, provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in Article III hereof; (b) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 9.06 or Article II hereof; and (c) Bonds deemed to have been paid as provided in Section 12.02 hereof.

“*Participant*” means a lending institution approved by the Authority and the Master Servicer to participate in the Program in accordance with the Authority’s Program Agreements.

“*Pass-Through Rate*” means the rate of interest stated on a Mortgage-Backed Security in connection with a Mortgage Loan.

“*Payment Date*” means any Interest Payment Date or Principal Payment Date.

“*Permitted Investments*” means any of the following which at the time are legal investments under the law of the State for funds held under the Indenture which are then proposed to be invested hereunder:

(a) Direct Obligations;

(b) obligations of any state of the United States of America or any political subdivision of such a state (such obligations of which are rated in the highest long term rating category by Fitch if rated by Fitch);

(c) bonds, debentures or other obligations issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, any Federal Home Loan Bank, the Resolution Funding Corporation, the Tennessee Valley Authority, any Federal Loan Bank or the Government National Mortgage Association and any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States;

(d) repurchase agreements collateralized by securities described in (a), (b) or (c) above with any institution that will not adversely affect the rating of the Bonds at the time of purchase;

(e) investment agreements, secured or unsecured as required by the Authority, with any institution that will not adversely affect the rating of the Bonds at the time of execution;

(f) any of the following obligations that would not adversely affect the rating of the Bonds at the time of purchase: (i) time deposits, certificates of deposit or any other deposit with federally or state chartered banks (including the Trustee and its affiliates), the deposits of which are fully insured by the Federal Deposit Insurance Corporation, (ii) commercial paper, (iii) shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, having assets of at least \$100 million (including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise), and (iv) any other investment with a financial institution;

provided that, for the purposes of (d), (e) or (f) above, unless otherwise notified by Fitch, if rated by Fitch and if the general unsecured obligation of an institution is rated by Fitch at a level which is not lower than one rating below the unenhanced rating on the Bonds, any agreement constituting a general unsecured obligation of such an institution shall not be treated as adversely affecting the rating of the Bonds; and further provided that it is expressly understood that the definition of Permitted Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this Indenture, thus permitting investments with different characteristics from those permitted which the Authority deems from time to time to be in the interest of the Authority to include as Permitted Investments, as reflected in an Authority Determination, or in a Supplemental Indenture if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds.

“*Pledged Revenues*” means, on a Series by Series basis, (a) applicable Mortgage Repayments; (b) income or interest earned on and other payments received with respect to the related Mortgage-Backed Securities; (c) income or interest earned and gains realized in excess of losses suffered on Permitted Investments; and (d) all moneys, securities and funds held by the Trustee hereunder, including the proceeds of the applicable Series of Bonds.

“*Pool*” means, with respect to a Mortgage-Backed Security, the pool of Mortgage Loans the beneficial ownership of which is represented by such Mortgage-Backed Security, as described in the schedule of pooled mortgages pertaining to such Mortgage-Backed Security.

“*Principal Payment Date*” means, with respect to payments of principal of the Bonds, the first calendar date of each month, commencing June 1, 2013.

“*Program*” means the Authority’s program of financing qualified Mortgage Loans through the purchasing, acquiring or financing of Mortgage Loans or other securities backed by Mortgage Loans pursuant to the provisions of the Program Agreements.

“*Program Agreements*” means the Origination Agreements, the Servicing Agreement, the Lender Manual and such other agreements as specified by the Authority from time to time with respect to the Program.

“*Program Expenses*” means the Authority’s Fee, the fees of the Trustee and other fees, expenses and charges relating to the Program.

“*Record Date*” means the fifteenth day of the month (regardless of whether a Business Day) immediately preceding each Payment Date.

“*Redemption Date*” means the Interest Payment Date on which the Bonds are called for redemption prior to maturity pursuant to Section 3.01(a) hereof.

“*Revenue Fund*” means the fund of such name established by Section 5.01 hereof.

“*Securities Depository*” means a person registered as a clearing agency under Section 17A of the Exchange Act or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof. The initial Securities Depository is DTC.

“*Series*” means either the Series 2013A Bonds or the Series 2013B Bonds, as applicable.

“*Series 2013A Bonds*” means Illinois Housing Development Authority Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program) authorized by Section 2.01 hereof.

“*Series 2013B Bonds*” means Illinois Housing Development Authority Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program) authorized by Section 2.01 hereof.

“*Series 2013A Mortgage-Backed Securities*” means the Mortgage-Backed Securities relating to the Series 2013A Bonds as shown on Exhibit B hereto

“*Series 2013B Mortgage Backed Securities*” means the Mortgage-Backed Securities relating to the Series 2013B Bonds as shown on Exhibit B hereto.

“*Single Family Residence,*” “*Home*” or “*Residence*” means a residential unit located in the State and financeable under the provisions of the Program.

“*State*” means the State of Illinois.

“*Substitute Depository*” means a securities depository appointed as successor to DTC hereunder.

“*Supplemental Indenture*” means an indenture supplemental to or amendatory of this Indenture, adopted by the Authority in accordance with Article IX hereof.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., appointed pursuant to Article VII hereof to act as trustee hereunder, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to this Indenture.

“*Trust Estate*” means the estate irrevocably pledged and assigned by the Authority to the Trustee in the Granting Clauses herein.

“*USDA/RD*” means Rural Development, acting through the United States Department of Agriculture, and its successor and assigns.

“*Underwriter*” means RBC Capital Markets, LLC, its successors and assigns, as representative of a group of underwriters.

“*VA*” means the Department of Veterans Affairs, an agency of the United States of America, or any successors to its functions.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations, limited liability companies and associations, including public bodies, as well as natural persons.

The terms “hereby,” “hereof,” “hereto,” “herein” and “hereunder” and any similar terms, as used in this Indenture, refer to this Indenture.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

#### **Section 2.01 Authorization and Issuance of Bonds.**

To provide sufficient funds for the financing of Mortgage Loans through the acquisition, purchase or financing of FNMA Mortgage-Backed Securities and GNMA Mortgage-Backed Securities in connection with the Program, the Authority hereby authorizes the issuance of \$78,750,000 aggregate principal amount of bonds to be designated Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program) and \$21,250,000 aggregate principal amount of bonds to be designated "Illinois Housing Development Authority Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program)."

The Bonds shall contain on the face thereof substantially the following statement:

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY OUT OF THE REVENUES OR MONEYS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE STATE IS NOT LIABLE ON THIS BOND AND THIS BOND IS NOT A DEBT OF THE STATE. SECTION 26.1 OF THE ACT SHALL NOT APPLY TO THIS BOND.

**Section 2.02 Purposes.** The Bonds are being issued for the purpose of providing funds to finance Mortgage Loans through the acquisition, purchase or financing of the Mortgage-Backed Securities. Each Series of Bonds is separately secured by the Trust Estate, including all moneys, securities and funds held by the Trustee hereunder, and, in particular, the related Mortgage-Backed Securities.

#### **Section 2.03 Terms of Bonds.**

(a) The date of authentication of each Bond shall be the date such Bond is registered. If, as of the date of registration of any Bond, interest is in default on the Bonds, such Bonds shall bear interest from the date to which interest has previously been paid or made available for payment on the Outstanding Bonds. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

(b) The Bonds shall be dated April 1, 2013. The Bonds shall be issued as registered bonds without coupons in the denominations of (i) \$1.00 or any integral multiple thereof upon initial delivery and (ii) \$0.01 or any integral multiple thereof thereafter. The Bonds shall be lettered "R" and shall be numbered separately from "1" consecutively upwards. The Bonds shall be issued initially as Book-Entry Bonds.

(c) The Series 2013A Bonds shall mature on June 1, 2043 in the principal amount of \$78,750,000 and shall bear interest at the rate of 2.45% per annum. Interest shall accrue on the Bonds each month, commencing on their dated date, and shall be payable on the Interest Payment Date of the next succeeding month, provided that interest

accrued from April 1, 2013 to April 23, 2013 and interest due for the period from April 24, 2013 through April 30, 2013 shall be payable on May 1, 2013.

(d) The Series 2013B Bonds shall mature on June 1, 2043 in the principal amount of \$21,250,000 and shall bear interest at the rate of 2.75% per annum. Interest shall accrue on the Bonds each month, commencing on their dated date, and shall be payable on the Interest Payment Date of the next succeeding month, provided that interest accrued from April 1, 2013 to April 23, 2013 and interest due for the period from April 24, 2013 through April 30, 2013 shall be payable on May 1, 2013.

(e) The principal of and the interest on the Bonds shall be payable in coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts of the United States of America. Unless the Bonds are Book-Entry Bonds, the principal of the Bonds shall be payable to the registered Owners thereof upon presentation (except in connection with a prepayment of Bonds pursuant to Section 3.01(b) hereof) at the designated corporate trust office of the Trustee or its successors. Unless the Bonds are Book-Entry Bonds, payments of interest on the Bonds and prepayments of the Bonds pursuant to Section 3.01(b) hereof shall be paid by check or draft mailed to the registered Owner thereof at such Owner's address as it appears on the registration books maintained by the Trustee on the applicable Record Date or at such other address as is furnished to the Trustee in writing by such Owner. The Trustee shall cause CUSIP number identification with appropriate dollar amounts for each CUSIP number to accompany all payments of interest, principal or redemption price made to such Owners, whether such payment is made by check or wire transfer. All payments of principal of and interest on Book-Entry Bonds shall be made and given at the times and in the manner set out in the Letter of Representations, as more fully specified in Section 2.14 hereof.

**Section 2.04 Execution; Limited Obligations.** The Bonds shall be executed in the name of the Authority by the manual or the facsimile signature of its Chairman, its Vice Chairman, its Executive Director or its Deputy Executive Director and attested by the manual or facsimile signature of its Secretary or any other person duly designated by the Authority or in such other manner as may be required by law. The Bonds are limited obligations, and not general obligations, of the Authority payable solely out of the revenues or moneys pledged therefor pursuant to this Indenture. The State shall not be liable on the Bonds and the Bonds shall not be a debt of the State, and the Bonds shall contain on their face a statement to such effect. Section 26.1 of the Act shall not apply to the Bonds.

In case any one or more of the Members, officers or employees of the Authority who shall have signed any of the Bonds or whose signature appears on any of the Bonds shall cease to be such Member, officer or employee before the Bonds are actually delivered, such Bonds may, nevertheless, be delivered as herein provided and may be issued as if the persons who signed them or whose signatures appear thereon has not ceased to hold such office or be so employed.

**Section 2.05 Authentication and Registration.** No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until either a certificate of authentication on such Bond substantially in the form set forth in Exhibit A shall

have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated or registered and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereunder. The certificate of authentication on all Bonds delivered by the Trustee hereunder shall be dated the date of its authentication.

**Section 2.06 Form of Bonds.** The form of the Bonds issued pursuant to this Indenture shall be in substantially the forms set forth in Exhibit A hereto, with such variations, omissions or insertions as are permitted by this Indenture.

**Section 2.07 Delivery of the Bonds.** All, but not less than all, of the Bonds shall be executed by the Authority and delivered by the Authority to the Trustee for authentication and, upon authentication by the Trustee, delivered to the purchasers thereof but only upon the prior receipt by the Trustee of:

- (a) a copy of the Bond Resolution duly certified by an Authorized Officer;
- (b) an executed counterpart of this Indenture;
- (c) an opinion of Bond Counsel stating that the Authority has duly adopted the Bond Resolution and has duly authorized, executed and delivered this Indenture and that this Indenture and the Bonds each constitute a legal, valid and binding obligation of the Authority, subject to any applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors;
- (d) an opinion of Bond Counsel to the effect that, except as to any exceptions therein, the interest on the Series 2013A Bonds is excludable from, and interest on the Series 2013B Bonds is includible in, gross income for federal income tax purposes under existing laws and is exempt from Illinois income taxation, in the case of the federal tax exemption of the Series 2013A Bonds assuming continuous compliance with the procedures, safeguards and covenants in this Indenture and other documents relating to the requirements of the Code; and
- (e) a request and authorization to the Trustee by the Authority and signed by an Authorized Officer to authenticate and deliver the Bonds to or at the direction of the purchasers thereof upon payment to the Trustee, but for the account of the Authority, of a sum specified in such request and authorization, plus accrued interest thereon, if any, to the date of delivery. The proceeds of such payment shall be paid over to the Trustee and deposited in the various Funds and Accounts pursuant to, and as specified in, Article IV hereof.

Upon receipt of these documents, the Trustee shall authenticate and deliver the Bonds to or upon the order of the purchasers thereof but only upon payment to the Trustee of the purchase price of the Bonds, together with accrued interest thereon, if any.



**Section 2.08 Mutilated, Lost, Stolen or Destroyed Bonds.** If any Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as that Bond mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and, in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Authority and the Trustee evidence of such loss, theft or destruction satisfactory to the Authority and the Trustee, together with security and indemnity satisfactory to them. Further, in the case of a past-due or a matured, lost, stolen or destroyed Bond, the Trustee shall pay the face amount of such past-due or matured Bond upon delivery to the Authority and the Trustee of evidence of such loss, theft or destruction satisfactory to the Trustee together with security and indemnity satisfactory to them. The Authority and the Trustee may charge the Owner of such Bond their reasonable fees and expenses in this connection.

**Section 2.09 Registration, Transfer and Exchange of Bonds; Persons Treated as Owners.** The Authority shall cause books for the registration, transfer and exchange of the Bonds as provided in this Indenture to be kept by the Trustee, which is hereby constituted and appointed the bond registrar with respect to the Bonds (the "Bond Registrar"). At reasonable times and under reasonable regulations established by the Trustee, said books may be inspected and copied by the Authority or by Owners (or a designated representative thereof) of a majority in aggregate principal amount of the applicable Series of Bonds then Outstanding.

The registration of each Bond is transferable by the registered Owner thereof in person or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee. Upon surrender for registration of transfer of any Bond at such office, the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond of the same Series, maturity or maturities and authorized denomination for the same aggregate principal amount. Bonds to be exchanged shall be surrendered at said designated corporate trust office of the Trustee, and the Trustee shall authenticate and deliver in exchange therefor a Bond of the same Series, of equal aggregate principal amount of the same maturity and authorized denomination.

All Bonds presented for registration of transfer, exchange or payment (if so required by the Authority or the Trustee) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the registered Owner or by its duly authorized attorney.

The Authority, the Bond Registrar and the Trustee shall not be required (i) to issue, register the transfer of or exchange any Bonds during a period beginning at the Trustee's opening of business on the applicable Record Date and ending at the Trustee's close of business on the applicable Interest Payment Date; or (ii) to register the transfer of or exchange any Bond selected, called or being called for redemption as provided herein. No charge shall be made to any Bondholder for the privilege of registration of transfer as herein provided, but any Bondholder requesting any such registration of transfer shall pay any tax or governmental charge required to be paid therefor.

New Bonds delivered upon any registration of transfer or exchange shall be valid obligations of the Authority, evidencing the same debt as the Bonds surrendered, shall be secured

by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The person in whose name any Bond is registered shall be deemed the Owner thereof by the Authority and the Trustee, and any notice to the contrary shall not be binding upon the Authority or the Trustee. Notwithstanding anything herein to the contrary, to the extent the Bonds are Book-Entry Bonds, the provisions of Section 2.14 shall govern the exchange and registration of Bonds.

**Section 2.10 Destruction of Bonds.** Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and the interest represented thereby, or for replacement pursuant to Section 2.08 hereof or registration of transfer or exchange pursuant to Section 2.09 hereof, such Bond shall be canceled by the Trustee and held by the Trustee in accordance with its document retention policies.

**Section 2.11 Temporary Bonds.** Until Bonds in definitive form are ready for delivery, the Authority may execute, and upon the request of the Authority, the Trustee shall authenticate and deliver, subject to the provisions, limitations and conditions set forth above, one or more Bonds in temporary form, whether printed, typewritten, lithographed or otherwise produced, substantially in the form of the definitive Bonds, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of this Indenture. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Authority shall, without unreasonable delay, prepare, execute and deliver to the Trustee, and the Trustee shall authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Trustee without making any charge therefor to the Owner of such Bond in temporary form.

**Section 2.12 Pledge Effected by Indenture.** On a Series by Series basis, the Mortgage-Backed Securities deposited in or credited to the Revenue Fund, all amounts that may be received under a FNMA Trust Agreement or GNMA Guaranty Agreement, as applicable, all rights of the Authority or the Trustee under a FNMA Trust Agreement or GNMA Guaranty Agreement, as applicable, the Pledged Revenues and all amounts held in any Fund or Account under this Indenture are hereby ratably pledged (the "Pledge") to secure the payment of the principal of and the interest on the related Series of Bonds, subject only to the provisions of this Indenture permitting the application thereof for other purposes. Such Pledge shall, pursuant to Section 17 of the Act, constitute a pledge, assignment, lien and security interest or grant made pursuant to the Act and pursuant to Section 9 of the Illinois Affordable Housing Act and shall be valid and binding and immediately effective, upon its being made or granted, without any physical delivery, filing, recording or further act, and shall be valid and binding as against, and superior to any claims of all others having claims of any kind against the Authority or any other person, irrespective of whether such other parties have notice of the Pledge.

**Section 2.13 Nonpresentment of Bonds.** If any Bond shall not be presented (or deemed presented with respect to any Book-Entry Bond) for payment when the principal thereof becomes due, either at maturity or otherwise or at the date fixed for redemption thereof, and if

moneys sufficient to pay such Bond shall have been deposited with the Trustee, all liability of the Authority to the Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability to the Authority, any Bondholder or any other person for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her or its part under this Indenture or on, or with respect to, said Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds shall be applied in accordance with the unclaimed property laws of the State.

**Section 2.14 Registration and Exchange of Bonds; Book-Entry System of Bonds.**

All Bonds shall initially be Book-Entry Bonds. All Book-Entry Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which is appointed as the initial Securities Depository for the Bonds. The Authority acknowledges that it has executed and delivered a Letter of Representations with DTC. All payments of principal of and interest on the Book-Entry Bonds and all notices with respect thereto, including notices of redemption, shall be made and given at the times and in the manner set out in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of this Indenture and the Letter of Representations. The Letter of Representations may be amended without Bondholder consent.

The book-entry registration system for all of the Book-Entry Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances:

(a) DTC notifies the Authority and the Trustee that it is no longer willing or able to act as Securities Depository for the Book-Entry Bonds and a successor Securities Depository for the Book-Entry Bonds is not appointed by the Authority prior to the effective date of such discontinuation; or

(b) The Authority determines that continuation of the book-entry system through DTC (or a successor securities depository) is not in the best interest of the Owners of the Bonds.

If a successor Securities Depository is appointed by the Authority, the Book-Entry Bonds will be registered in the name of such successor Securities Depository or its nominee. If certificates are required to be issued to Beneficial Owners, the Trustee and the Authority shall be fully protected in relying upon a certificate of DTC or any DTC participant as to the identity of and the principal amount of Book-Entry Bonds held by such Beneficial Owners.

The Beneficial Owners of Bonds will not receive physical delivery of certificates except as provided herein. For so long as there is a Securities Depository for Bonds, all such Bonds shall be registered in the name of the nominee of the Securities Depository, all transfers of beneficial ownership interests in such Bonds will be made in accordance with the rules of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any certificate. The Authority

and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in such Bonds.

The Authority and the Trustee will recognize the Securities Depository or its nominee as the Bondholder of Book-Entry Bonds for all purposes, including receipt of payments, notices and voting, provided the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Bondholders of a related portion of the Bonds when such votes are received in compliance with an omnibus proxy of the Securities Depository or otherwise pursuant to the rules of the Securities Depository or the provisions of the Letter of Representations or other comparable evidence delivered to the Trustee by the Bondholders.

With respect to Book-Entry Bonds, the Authority and the Trustee shall be entitled to treat the person in whose name such Bond is registered as the absolute owner of such Bond for all purposes of this Indenture, and neither the Authority nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of such Book-Entry Bond. Without limiting the immediately preceding sentence, neither the Authority nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of any Securities Depository or any other person with respect to any ownership interest in Book-Entry Bonds, (b) the delivery to any person, other than a Bondholder, of any notice with respect to Book-Entry Bonds, including any notice of redemption or refunding or (c) the payment to any person, other than a Bondholder, of any amount with respect to the principal of or interest on Book-Entry Bonds.

SO LONG AS A BOOK-ENTRY SYSTEM OF EVIDENCE OF TRANSFER OR OWNERSHIP OF ALL THE BONDS IS MAINTAINED IN ACCORDANCE HEREWITH, THE PROVISIONS OF THIS INDENTURE RELATING TO THE DELIVERY OF PHYSICAL BOND CERTIFICATES SHALL BE DEEMED TO GIVE FULL EFFECT TO SUCH BOOK-ENTRY SYSTEM AND ALL DELIVERIES OF ANY SUCH BONDS SHALL BE MADE PURSUANT TO THE DELIVERY ORDER PROCEDURES OF DTC, AS IN EFFECT FROM TIME TO TIME.

### ARTICLE III

#### REDEMPTION AND PREPAYMENT OF BONDS

##### Section 3.01 Redemption and Prepayment.

(a) **Optional Redemption.** The Bonds are subject to redemption prior to maturity at the option of the Authority in whole, or in part, on any Interest Payment Date on or after January 1, 2023, at a redemption price equal to 100% of the principal amount thereof, from any available moneys of the Authority.

(b) **Mandatory Prepayment.** The Bonds are subject to mandatory prepayment on each Principal Payment Date at a price equal to 100% of the principal amount thereof from and in the amount of the MBS Repayments received since the previous Principal Payment Date (or for the first Principal Payment Date, since the dated date of the Bonds).

No prior notice shall be required to be given by the Authority to the Trustee or by the Trustee to the Bondholder in connection with any mandatory prepayment pursuant to this Section 3.01(b).

**Section 3.02 Notice of Redemption or Prepayment; Notice of Payment.**

(a) When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 3.01(a) hereof, the Trustee, in accordance with the provisions of this Indenture, shall give notice, in the name of the Authority, of the redemption of Bonds, which notice shall specify the following: (i) the Series designation, maturities and principal amounts of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the Issuance Date for such Bonds; (v) the interest rate of the Bonds to be redeemed; (vi) the Redemption Date; (vii) any conditions to the occurrence of the redemption; (viii) the place or places where amounts due upon such redemption will be payable; (ix) the redemption price; (x) the Trustee's name and address with a contact person and a phone number; and (xi) that on the Redemption Date, the redemption price shall be paid.

(b) Notice of the call for any redemption, identifying the Bonds to be redeemed, is required to be given via facsimile transmission or other electronic means by the Trustee with respect to a redemption described in Section 3.01(a) hereof, no less than 20 days and no more than 30 days before such Redemption Date, to the registered Owner of each Bond to be redeemed; and that (i) with respect to a redemption described in Section 3.01(a) hereof, such notice will be mailed by the Trustee by first-class mail, postage prepaid, no less than 20 days and no more than 30 days before such Redemption Date, to the Owners of any Bonds which are to be redeemed, at the last address, if any, appearing upon the registration books maintained by the Bond Registrar; and (ii) while the Bonds are Book-Entry Bonds, all notices of redemption shall be mailed or sent via facsimile transmission or other electronic means, as applicable, to the Securities Depository, and the Trustee shall request that the Securities Depository cause such notice to be further disseminated to DTC Participants for further dissemination to Beneficial Owners. Failure to give such notice by facsimile transmission, other electronic means or by mail to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of the Bonds.

Any notice mailed or sent via facsimile transmission or other electronic means as provided in this Section 3.02 shall be conclusively presumed to have been given upon mailing or being sent via facsimile or other electronic means to the latest known address, as applicable, whether or not the Owner thereof or such other intended recipient receives such notice.

(c) The Bonds to be prepaid pursuant to Section 3.01(b) will be selected in accordance with the operational arrangements of DTC or any successor Substitute Depository, and any partial prepayments pursuant thereto shall be made in accordance with the "Pro Rata Pass-Through Distributions of Principal" procedures of DTC or comparable procedures of any successor Substitute Depository.

**Section 3.03 Payment of Redemption Price.** With respect to any redemption pursuant to Section 3.01(a) hereof, notice having been given in the manner provided in Section 3.02 hereof and all conditions to the redemption contained in such notice having been met, the Bonds so called for redemption shall become due and payable on the Redemption Date so designated at the redemption price, and upon presentation and surrender thereof at the offices specified in such notice, together with, in the case of Bonds presented by other than the registered Owner, a written instrument of transfer duly executed by the registered Owner or its duly authorized attorney; provided, however, that so long as the Bonds are registered in the name of the Securities Depository, payment for such redeemed Bonds shall be made in accordance with the letter of representations of the Authority. If, on the Redemption Date, moneys for the redemption of the Bond or the Bonds to be redeemed, together with all accrued interest on such Bonds to the Redemption Date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the first day of the month in which a Redemption Date occurs, interest on the Bonds so called for redemption shall cease to accrue. If said moneys shall not be so available on the Redemption Date, the redemption pursuant to Section 3.01(a) shall be cancelled and the related redemption notice rescinded, and such Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

**Section 3.04 Cancellation.** All Bonds which have been redeemed, paid or retired or received by the Trustee for exchange shall not be reissued but shall be canceled and held by the Trustee in accordance with Section 2.10 hereof.

## ARTICLE IV

### APPLICATION OF PROCEEDS OF BONDS AND OTHER MONEYS

The proceeds of the Series 2013A Bonds (\$78,750,000.00), accrued interest from the sale of the Series 2013A Bonds (\$123,265.63) and funds of the Authority (\$622,302.88) shall be deposited with the Trustee and credited to the following Funds and Accounts:

- (a) \$78,750,000.00 representing proceeds of the Series 2013A Bonds, shall be credited to the Series 2013A Account of the Acquisition Fund and shall be immediately used to purchase (or reimburse the Authority for purchasing) the Series 2013A Mortgage-Backed Securities (including accrued interest) listed in Exhibit B;
- (b) \$160,781.26, representing \$123,265.63 of accrued interest and \$37,515.63 contributed by the Authority, shall be deposited in the Series 2013A Account of the Revenue Fund to be applied to the payment of interest on the Series 2013A Bonds on May 1, 2013; and
- (c) \$584,787.25 representing moneys provided by the Authority shall be credited to the Costs of Issuance Fund.

The proceeds of the Series 2013B Bonds (\$21,250,000.00), accrued interest from the sale of the Series 2013B Bonds (\$37,335.07) and funds of the Authority (\$175,849.38) shall be deposited with the Trustee and credited to the following Funds and Accounts:

(d) \$21,250,000.00 representing proceeds of the Series 2013B Bonds, shall be credited to the Series 2013B Account of the Acquisition Fund and shall be immediately used to purchase (or reimburse the Authority for purchasing) the Series 2013B Mortgage-Backed Securities (including accrued interest) listed in Exhibit B;

(e) \$48,697.92, representing \$37,335.07 of accrued interest and \$11,362.85 contributed by the Authority, shall be deposited in the Series 2013B Account of the Revenue Fund to be applied to the payment of interest on the Series 2013B Bonds on May 1, 2013; and

(f) \$164,486.53 representing moneys provided by the Authority shall be credited to the Costs of Issuance Fund.

## **ARTICLE V**

### **ESTABLISHMENT OF FUNDS AND APPLICATIONS THEREOF**

**Section 5.01 Establishment of Funds.** The following Funds are hereby ordered established and maintained as trust accounts with the Trustee pursuant to the provisions of this Indenture:

(a) the Revenue Fund (including therein a Series 2013A Account and a Series 2013B Account);

(b) the Acquisition Fund (including therein a Series 2013A Account and a Series 2013B Account);

(c) the Costs of Issuance Fund; and

(d) the Expense Fund.

No amounts may be withdrawn, transferred or paid out of the above Funds except as provided in this Article.

The Trustee shall also establish subaccounts within such funds as the Authority may direct or as the Trustee shall determine may be reasonably required to carry out its administrative duties under this Indenture, and moneys deposited therein shall be used and pledged only as provided herein, it being intended that such authority be used (among other things) to implement the utilization of moneys provided by other entities in conjunction with the Program.

**Section 5.02 Deposit of Mortgage-Backed Securities and Pledged Revenues.** The Mortgage-Backed Securities acquired or transferred from the Authority's Administrative Fund shall be credited to the applicable Account of the Acquisition Fund and shall be held in each Account in the name of the Trustee at all times for the benefit of the Bondholders. The Mortgage-Backed Securities held in the respective Accounts of the Acquisition Fund are specified on Exhibit B hereto.

The Authority hereby directs and, to the extent necessary, will take any action necessary to cause all Pledged Revenues derived from the Mortgage-Backed Securities to be immediately transferred directly to the Trustee upon receipt for deposit in the respective Accounts of the Revenue Fund. The Authority shall cause the Master Servicer to designate to the Trustee whether such moneys are derived from Mortgage Repayments, interest on the Mortgage-Backed Securities or other moneys with respect to the Mortgage-Backed Securities no later than three Business Days preceding the date of such payment. If the Trustee does not receive a payment on a Mortgage-Backed Security when due, the Trustee shall notify the Bondholders of the applicable Series on the next subsequent Business Day and shall notify FNMA or GNMA, as applicable, pursuant to Section 8.09(d) hereof.

**Section 5.03 Acquisition Fund.**

**Section 5.01** The Trustee shall deposit the Bond proceeds in the applicable Account of the Acquisition Fund as provided in Article IV hereof. The Trustee shall withdraw moneys from the applicable Account of the Acquisition Fund to pay the principal component of and the accrued interest component of the purchase price of the applicable Mortgage-Backed Securities. The Mortgage-Backed Securities acquired pursuant to this Section 5.03(a) shall be deposited in the related Account of the Acquisition Fund.

**Section 5.02** Each Mortgage-Backed Security shall satisfy each of the following conditions:

(i) The principal portion of the Mortgage-Backed Security purchase price shall be equal to the outstanding principal amount of such Mortgage-Backed Security;

(ii) With respect to each Mortgage-Backed Security (A) such Mortgage-Backed Security shall be registered in the name of the Trustee or its nominee and (B) the Mortgage-Backed Security shall be credited to the account of the Trustee or its nominee at a clearing corporation, as defined under and pursuant to the Uniform Commercial Code applicable to the clearing corporation and the clearing corporation shall be registered as a clearing agency under the Exchange Act, and the Trustee shall be the "entitlement holder" (as defined under and pursuant to the UCC applicable to the clearing corporation) with respect to the Mortgage-Backed Securities; and

(iii) The Trustee shall have received from the Master Servicer the prospectus relating to each Mortgage-Backed Security, and a copy, certified by



the Master Servicer, of the FNMA Trust Agreement or GNMA Guaranty Agreement, as applicable, with respect to each such Mortgage-Backed Security.

**Section 5.03** All amounts on deposit in the applicable Account of the Acquisition Fund shall be used solely for the purchase of the related Mortgage-Backed Securities from the Authority's Administrative Fund, which Mortgage-Backed Securities are specified on Exhibit B hereto on a Series by Series basis. Any amounts remaining on deposit in the Acquisition Fund, including any investment earnings thereon, at the direction of an Authorized Officer, shall be (i) released to the Authority to the extent such amounts represent funds of the Authority or (ii) applied in accordance with the Code and the Act, to any housing purpose of the Authority, to the extent such amounts represent proceeds of the Bonds.

**Section 5.04 Revenue Fund.** Pledged Revenues shall be deposited in the applicable Account of the Revenue Fund as and when received by the Trustee.

On each Payment Date, the Trustee shall on a Series by Series basis:

- (a) apply the MBS Interest to pay the amount due as the interest on the related Bonds pursuant to Section 2.03(c) and Section 2.03(d);
- (b) apply the MBS Repayments to prepay a like dollar amount of the related Bonds pursuant to Section 3.01(b), until paid in full; and
- (c) transfer any moneys remaining in the respective Accounts of the Revenue Fund after the above payments to the Expense Fund.

If a deficiency exists in an Account of the Revenue Fund such that the Trustee is unable to pay the principal of or the interest on the related Series of Bonds when due, the Trustee shall withdraw funds on deposit in the Expense Fund and the Costs of Issuance Fund, in such order, sufficient in amount to make such payments.

The Authority may at any time deposit moneys in the Revenue Fund and simultaneously withdraw a like amount of moneys from the Revenue Fund, but only if such action will not adversely affect the sufficiency of moneys to make payments to the Bondholders or the timing of such payments to the Bondholders. On or before any Redemption Date established in connection with an optional redemption of Bonds of a Series pursuant to Section 3.01(a) hereof, the Authority also shall deposit in the Revenue Fund the redemption price of such Bonds so called for redemption.

**Section 5.05 Costs of Issuance Fund.** The Trustee shall deposit certain moneys of the Authority in the Costs of Issuance Fund as provided in Article IV hereof. Amounts on deposit in the Costs of Issuance Fund shall be expended to pay Costs of Issuance upon receipt by the Trustee of written instructions from the Authority; provided, however, that no more than 2% of the proceeds of the Series 2013A Bonds may be used to pay such Costs of Issuance. To the extent of a deficiency in an Account of the Revenue Fund and the Expense Fund to pay the principal of and the interest on the Bonds when due, amounts in the Costs of Issuance Fund shall be used to satisfy such deficiency. Any moneys remaining in the Costs of Issuance Fund two

years after the date of issuance of the Bonds and not specifically committed to the payment of Costs of Issuance shall be (i) released to the Authority to the extent such amounts represent funds of the Authority and (ii) applied in accordance with the Code and the Act to any housing purpose of the Authority to the extent such amounts represent proceeds of the Bonds.

**Section 5.06 Expense Fund.** Amounts in the Expense Fund shall be expended to pay Program Expenses, including the Authority's Fee, and, to the extent of a deficiency in the Revenue Fund, the principal of and the interest on the Bonds when due. On each Interest Payment Date, if amounts in the Expense Fund are not required to pay the scheduled principal of and interest on the Bonds on such date, the Trustee shall pay the Authority's Fee to the Authority from and to the extent of amounts available in the Expense Fund. Any part of the Authority's Fee that is not paid on such date shall continue to accrue and shall be paid on the first Interest Payment Date on which sufficient moneys are available in the Expense Fund. Any moneys remaining in the Expense Fund on any Interest Payment Date shall, upon receipt by the Trustee of written instructions by the Authority, be released to the Authority free of the lien of this Indenture if the Outstanding principal amount of the Mortgage-Backed Securities is not less than the Outstanding principal amount of the Bonds.

**Section 5.07 Trustee's Maintenance of Records on Payment of Bonds.** In connection with the payment, redemption or prepayment of Bonds under the provisions of this Indenture, the Trustee shall keep accurate records of the source of the moneys used to pay, redeem or prepay such Bonds.

## ARTICLE VI

### INVESTMENT OF FUNDS

**Section 6.01 Investment of Funds or Accounts Held by Trustee.** Any moneys held as part of any Fund (except the Revenue Fund) or Account created under this Indenture shall be invested or reinvested, from time to time, by the Trustee in Permitted Investments specified by the Authority in writing. The investments so made shall be held by the Trustee and shall be deemed at all times to be a part of the Fund or Account in which such moneys were held, provided that for the purpose of investment, moneys held in any of the Funds and Accounts (other than the Accounts of the Acquisition Fund and the Revenue Fund) established hereunder may be commingled. Earnings on investments (net of losses) of moneys in all Funds and Accounts established hereunder shall be credited to the particular Fund from which such investment was made. Any losses on investments shall be charged against the particular Fund from which such investment was made. The Trustee is directed to sell and reduce to cash a sufficient amount of such investments in a timely manner whenever the cash balance in any Fund shall be insufficient to cover a proper disbursement therefrom. Moneys shall be invested in Permitted Investments at the written direction of the Authority, and the Trustee shall have no duty to investigate or to determine whether the investment so directed by the Authority is a Permitted Investment. The Trustee may conclusively rely upon the Authority's written instructions as to both the suitability and legality of the directed investments. The Trustee may make any and all investments through its bond or investment department or the bond or investment department of any bank or trust company controlling, controlled by or under common control with the Trustee, and may charge its ordinary and customary fees for such trades,

including cash sweep account fees. In the absence of investment instructions from the Authority, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in Permitted Investments.

Although the Authority recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority hereby agrees that confirmations of Permitted Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

**Section 6.02 Liability of the Trustee for Investments.** The Trustee shall not be liable or responsible for the making of any investment at the written direction of the Authority or authorized by the provisions of this Article in the manner provided in this Article or for any loss resulting from any such investment so made.

The Trustee shall be entitled to assume that any investment, which at the time of purchase is a Permitted Investment, remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary.

The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment made in accordance with the provision of this Section 6.02.

**Section 6.03 Limitation on Trustee's Responsibilities Respecting Arbitrage.** Notwithstanding any provision of this Indenture to the contrary, unless otherwise agreed in a separate agreement, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with the Series 2013A Bonds for the purposes of complying with Sections 143 and 148 of the Code or any applicable Treasury Regulations, including, without limitation, the calculation of the rebate amount under the provisions of said Sections 143 and 148 of the Code and the applicable Treasury Regulations, the maximum amount which may be invested in "nonpurpose obligations" as defined in the Code and the fair market value of any investments made hereunder. The sole obligation of the Trustee with respect to this Article VI shall be to invest the moneys received by the Trustee in Permitted Investments pursuant to the written instructions of the Authority in accordance with the provisions of Section 6.01 hereof.

## ARTICLE VII

### THE TRUSTEE

**Section 7.01 Acceptance of Duties.** The Trustee hereby accepts the duties and obligations imposed upon it by this Indenture and agrees to perform such trusts in accordance with the terms hereof. The Trustee shall diligently enforce the provisions of each Mortgage-Backed Security, and otherwise take all action necessary, including the giving of notices to FNMA or GNMA, as applicable, no later than the Business Day immediately following the nonreceipt of any amount due under any Mortgage-Backed Security, so as to cause Pledged Revenues to be deposited in the Revenue Fund as provided for herein on a timely basis.

Subject to Section 7.12 hereof, upon receiving written direction from the Owners of a majority in aggregate principal amount of Bonds of a Series then Outstanding, the Trustee will give all notices and take any reasonable action necessary to preserve and protect the guarantee of FNMA or GNMA, as applicable, under the Mortgage-Backed Securities related to such Series. The Trustee, prior to the occurrence of an event of default hereunder and after the curing of any event of default which may have occurred hereunder, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an event of default has occurred and is continuing under this Indenture, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of its own affairs.

### **Section 7.02 Responsibilities of Trustee.**

(a) The recitals of fact contained herein and in the Bonds shall be taken as the statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same. The Trustee shall not be deemed to make any representations as to the validity or sufficiency of this Indenture or of any Bonds or in respect of the security afforded by this Indenture, and the Trustee shall not incur any responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority except as set forth herein. The Trustee shall be under no obligation or duty to perform any act which would involve it in expenses or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless secured and/or indemnified to its satisfaction. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful default.

(b) The Trustee shall not be responsible for the recording or rerecording, filing or refiling of any Mortgage, or any other security instrument or financing statement, or for insuring the Trust Estate or for the validity of the execution by the Authority of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds, or for the value of or title in and to the Trust Estate or otherwise. Notwithstanding anything contained herein to the contrary, the Trustee shall not be responsible for determining whether the grant of the security interest hereunder in the Trust Estate, including the Mortgage-Backed Securities, has been validly made or for determining whether such interest has been properly perfected under applicable law.

(c) The Trustee shall not be accountable for the use of any of the Bonds. The Trustee may in good faith buy, sell, own and deal in any of the Bonds and may exercise all rights thereunder and join in any action which any other Bondholder may be entitled to take with like effect as if the Trustee were not a party to this Indenture.

(d) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right, but shall not be required, to demand, with respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any reasonable action whatsoever by the Trustee under this Indenture, any showings,

certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof as a condition of such action by the Trustee reasonably deemed desirable for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee hereunder.

(e) The Trustee shall in no event be responsible for ensuring that the rate of interest due and payable on the Bonds under this Indenture does not exceed the maximum legal rate of interest applicable thereto.

(f) To help the government fight the funding of terrorism and money-laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, charity, trust or other legal entity, the Trustee may request documentation to verify its formation and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

(g) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(h) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(i) The Trustee shall have the right to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing designated persons with the authority to provide such instructions and containing specimen signatures of such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of

transmitting instructions to the Trustee and that there may be more secure methods of transmitting instructions than the method(s) selected by the Authority; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

(j) Under no circumstances does the Trustee assume any responsibility or liability for the issuance of the Series 2013A Bonds as obligations the interest on which is excludable from gross income for purposes of Federal income taxation or for the maintenance of such tax-exempt status subsequent to the date of issuance of the Series 2013A Bonds.

**Section 7.03 Evidence on Which Trustee May Act.** The Trustee shall be protected in acting upon any notice, indenture, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the Authority, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Indenture in good faith and in accordance herewith.

The Trustee may accept a certificate of an Authorized Officer under the Authority's seal to the effect that a resolution in the form therein set forth has been adopted by the Authority as conclusive evidence that such resolution has been duly adopted and is in full force and effect. The resolutions, orders, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the withdrawal of cash and the taking or omitting of any other action hereunder.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion, the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to the Trustee shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer.

**Section 7.04 Compensation; Indemnification; Lien of Trustee.** The Trustee shall be entitled to reasonable compensation (and if paid from funds available under this Indenture shall be paid only to the extent of amounts available in the Expense Fund) for services rendered by it hereunder and for reimbursement any additional necessary and reasonable expenses of the Trustee, including reasonable counsel fees; provided, however, that the nonpayment of such fees

and expenses shall not cause an event of default hereunder. The Authority hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Trustee and its officers, directors, agents and employees from and against any and all costs, claims, liabilities, losses or damages whatsoever (including reasonable costs and fees of counsel, auditors or other experts), asserted or arising out of or in connection with the acceptance or administration of the trust established pursuant to the Indenture, except costs, claims, liabilities, losses or damages resulting from the negligence or willful misconduct of the Trustee including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its duties hereunder and of enforcing this indemnification provision. To the extent the fees and expenses (including any indemnification amounts payable to the Trustee) of the Trustee as aforesaid exceed the amount available in the Expense Fund, the Authority hereby agrees to pay such amounts from the general unencumbered funds of the Authority. Upon an event of default described in Section 10.01(a) hereof, but only upon such event of default, the Trustee shall have a lien upon the Trust Estate with right of payment prior to payment on account of principal of and interest on any Bond for such compensation and any other charges and expenses necessarily made or incurred by it in connection with such services, including reasonable counsel fees, respectively. The Trustee's right to receive compensation, reimbursement and indemnification of money due and owing hereunder shall survive the Trustee's resignation or removal, the payment of the Bonds and the defeasance of this Indenture. When the Trustee incurs expenses or renders services after the occurrence of an event of default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**Section 7.05 Permitted Acts and Functions.** The Trustee may execute any of the trusts and powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees and shall not be answerable for the conduct of the same if appointed with due care, and may pay reasonable compensation to all such attorneys, agents, receivers and employees as may be reasonably employed in connection with the trusts hereof.

**Section 7.06 Resignation of Trustee.** The Trustee may at any time resign and be discharged from the duties and obligations created by this Indenture by giving no less than 60 days' written notice by first-class mail to the Authority specifying the date when such resignation is expected to take effect. Upon receiving such notice of resignation, the Authority shall immediately notify the Bondholders and, upon the consent of the Owners of a majority in aggregate principal amount of Bonds then Outstanding, appoint a successor trustee by written instrument, in duplicate, executed by an Authorized Officer of the Authority, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. If no successor Trustee shall have been so appointed and have accepted appointment within 45 days after the mailing of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or Owners of a majority in aggregate principal amount of Bonds then Outstanding may, on behalf of themselves and all others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Trustee. Any resignation of the Trustee shall become effective upon the acceptance of appointment by the successor Trustee. The Authority shall give written notice of any resignation of the Trustee and the appointment of a successor Trustee to each holder of Bonds then

Outstanding. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

#### **Section 7.07 Removal of Trustee.**

(a) The Trustee may be removed at any time pursuant to a written instrument or concurrent instruments signed by the Owners of a majority in aggregate principal amount of Bonds then Outstanding filed with the Trustee and the Authority appointing a successor Trustee. The Authority may remove the Trustee for any reason and at any time, except during the existence of an event of default as defined in Section 10.01 hereof, with the approval of Owners of a majority in aggregate principal amount of Bonds then Outstanding, by filing with the Trustee and all Owners an instrument signed by an Authorized Officer of the Authority appointing a successor Trustee. Any removal of the Trustee shall become effective upon the acceptance of appointment by the successor Trustee. The Authority shall give written notice of any removal of the Trustee and the appointment of a successor Trustee to each holder of Bonds then Outstanding. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

(b) If the Trustee becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, a liquidator or conservator of the Trustee, or of its property, is appointed, or if any public officer takes charge or control of the Trustee, or of its property or affairs, the Authority shall give written notice of same to all Owners. In any case, (i) the Authority may remove the Trustee and appoint a successor Trustee with the consent of Owners of a majority in aggregate principal amount of Bonds then Outstanding or (ii) Owners of a majority in aggregate principal amount of Bonds then Outstanding may, on behalf of the Owners of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee. Any removal of the Trustee shall become effective upon the acceptance of appointment by the successor Trustee. The Authority shall give written notice of any removal of the Trustee and the appointment of a successor Trustee to each holder of Bonds then Outstanding. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

**Section 7.08 Appointment of Successor Trustee; Qualifications.** If no successor Trustee shall have been so appointed and have accepted such appointment within 45 days after the resignation or removal of the Trustee pursuant to Sections 7.06, 7.07 or 7.08 hereof, any Bondholder may, on behalf of itself and all others similarly situated, petition any court for the appointment of a successor Trustee. Such court may thereupon, after notice, if any, as it may deem proper, prescribe and appoint a successor Trustee.

Any Trustee appointed under the provisions of Sections 7.06, 7.07 or 7.08 hereof in succession to the Trustee shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.



**Section 7.09 Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority.

**Section 7.10 Merger, Conversion or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act, provided, with respect to the Trustee, that such company shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Indenture.

**Section 7.11 Reports of Trustee.**

(a) The Trustee shall keep proper books of record and account (separate from all other records and accounts) in which complete and accurate entries shall be made of its transactions relating to the Program and the Funds and Accounts established by this Indenture. Such books and all other books and papers of the Trustee and such Funds and Accounts shall at all reasonable times be subject to the inspection of the Authority and the Owners of a majority of the aggregate principal amount of the applicable Series of Bonds then Outstanding or their representatives duly authorized in writing.

(b) At the option of the Authority, after the first day, and on or before the fifteenth day of each month, and annually, within 90 days after the end of the Authority's fiscal year, the Trustee shall submit to the Authority a statement of account (which may be in electronic form) of the preceding month or fiscal year, as applicable, setting forth:

(i) the amount withdrawn or transferred by it and the amount deposited with it on account of each Fund and Account held by it under the provisions of this Indenture, the balance held in each Fund and Account and the

outstanding principal balance of each Mortgage-Backed Security held by the Trustee;

(ii) the amount on deposit with it at the end of such month or fiscal year, as appropriate, ending on or prior to the date of such statement to the credit of each such Fund and Account;

(iii) a brief description of all obligations held by it as an investment of money in each such Fund and Account;

(iv) a breakdown of principal and interest from all amounts funded; and

(v) any other information the Authority may reasonably request from time to time, without charge, if said information is readily available from the records of the Trustee.

(c) The reports, statements and other documents required to be furnished to or by the Trustee pursuant to any provision of this Indenture shall be available for the inspection of the Owners of Bonds at the designated corporate trust office of the Trustee, and a copy of the reports shall be mailed by the Trustee to each Owner of Bonds who shall file a written request therefor with the Authority at the expense of the party requesting the report.

(d) The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of the security transactions as they occur. Except with respect to the initial purchase of the Mortgage-Backed Securities, the Authority specifically waives such notification to the extent permitted by law and will receive periodic cash transactions statements from the Trustee which will detail all investment transactions.

**Section 7.12 Obligation To Take Action.** Except as provided in Section 10.02(a) hereof, the Trustee shall be under no obligation to take any action in respect of any event of default or to institute, appear in or defend any suit or other proceedings in connection therewith, unless the Trustee shall have been requested in writing so to do by Owners of a majority in aggregate principal amount of each affected Series of Bonds then Outstanding, and, if in its opinion such action may involve expense or liability (excluding liability resulting from the negligence or willful misconduct of the Trustee), unless the Trustee is furnished, from time to time as often as it may require, with security and/or indemnity satisfactory to it; provided, however, that the foregoing provisions are intended only for the protection of the Trustee and shall not affect any discretion or power given by any provisions of this Indenture to the Trustee to take action in respect of any event of default without such notice or request from the Bondholders or without such security and/or indemnity. The permissive rights of the Trustee under this Indenture shall not be construed as duties, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to take notice or be deemed to have notice of any defaults hereunder, or under the Origination Agreements, except failure by the Authority to pay or cause to be paid principal, premium, if any, and interest on the Bonds as the same becomes due, unless the Trustee shall be specifically notified in writing at its

designated corporate trust office of such default by the Authority, or the holders of at least 25% in principal amount of each affected Series of Bonds then Outstanding, and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default, unless the failure to take such notice of default without any duty of independent investigation would constitute negligence or willful misconduct on the part of the Trustee. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the designated corporate trust office of the Trustee.

**Section 7.13 Trustee May Own Bonds.** Upon compliance with all applicable laws, the Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture and may join in any action which any Bondholder may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee, either as principal or agent, or in any other commercial or banking capacity, may also engage in or be interested in any financial or other transaction with the Authority and may act as depository, trustee, or agent for any committee or body of holders of the Bonds secured hereby or other obligations of the Authority as freely as if it were not Trustee hereunder.

## ARTICLE VIII

### GENERAL COVENANTS

**Section 8.01 Payment of Bonds.** The Authority covenants that it will promptly pay or cause to be paid the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein according to the true intent and meaning thereof, provided that the Trustee, on behalf of the Authority, shall pay the principal of and the interest on the Bonds solely from the Pledged Revenues. Nothing in any Bond or in this Indenture should be considered as assigning or pledging any other funds or assets of the Authority other than such Pledged Revenues and the right, title and interest of the Authority, if any, in the Trust Estate.

The Authority further covenants that at no time while any Bond is Outstanding will it commingle any of its moneys (from whatever source) with the Trust Estate.

**Section 8.02 Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under this Indenture to the benefit of this Indenture or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to this Indenture) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

**Section 8.03 Offices for Payment and Registration of Bonds.** The Authority shall at all times maintain an office or agency at the designated corporate trust office of the Trustee

where Bonds may be presented for payment, registration, transfer or exchange, and the Trustee is hereby appointed as its agent to maintain such office for such payment, registration, transfer or exchange of Bonds.

**Section 8.04 Further Assurances.** The Authority agrees that the Trustee may defend its rights to the payments and other amounts due under the Mortgage-Backed Securities for the benefit of the Owners of the related Bonds against claims and demands of all persons whomsoever. At any and all times the Authority shall, so far as it may be authorized or permitted by law, pass, make, do, execute, acknowledge and deliver all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, confirming and effecting all and singular the rights, Pledged Revenues and other moneys, securities, funds and property hereby pledged or assigned, or intended so to be, which the Authority may hereafter become bound to pledge or assign. The Authority shall at all times comply with the provisions of the Act relating to the Program.

**Section 8.05 Power to Issue Bonds and Make Pledges.** The Authority is duly authorized pursuant to law to cause the issuance of the Bonds and to adopt this Indenture and to pledge the Pledged Revenues and other moneys, securities, funds and property pledged by this Indenture in the manner and to the extent provided in this Indenture. The Pledged Revenues and other moneys, securities, funds and property so pledged are and will be, subject to a first priority lien and security interest in favor of the Trustee, free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with the pledge created by, this Indenture, and except for the liens in favor of the Trustee provided in Section 7.04 hereof, and except as in this Indenture otherwise provided, and all action on the part of the Authority to that end has been duly and validly taken. The Bonds and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of this Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys, securities, funds and property pledged under this Indenture and all the rights of the Bondholders under this Indenture against all claims and demands of all persons whomsoever.

**Section 8.06 Program Agreements.** The Program Agreements executed in connection with the Program set forth the covenants and obligations of the Participants and the Master Servicer with respect to the Program (including, without limitation, such covenants and obligations of the Participants designed to satisfy the requirements of the Code with respect to the origination of Mortgage Loans), and reference is hereby made to the Program Agreements for a detailed statement of said covenants and obligations of the Participants and the Master Servicer thereunder. The Authority shall diligently take all steps necessary or desirable to enforce all terms of the Program Agreements as they relate to the Mortgage-Backed Securities. The Authority shall not, without good cause, release the obligations of any Participant or the Master Servicer under any Program Agreement, except as expressly provided therein and herein, and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Authority and of the Bondholders under or with respect to the Program Agreements as they relate to the Mortgage-Backed Securities.

**Section 8.07 Books and Accounts.** The Authority and the Trustee covenant and agree that all books and documents in their possession relating to the Mortgage-Backed Securities and the Bonds and to the distribution of proceeds thereof shall at all times during regular business hours be open to inspection by such accountants or other agencies as the other party may from time to time designate.

The Authority (or the Trustee on its behalf) shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all Funds and Accounts established by or pursuant to this Indenture, which shall at all reasonable times be subject to the inspection of the Trustee or of the Owners of a majority of the aggregate principal amount of the Bonds Outstanding or their representatives duly authorized in writing.

**Section 8.08 List of Bondholders.** The Bond Registrar will keep on file at the designated office of the Bond Registrar a list of names and addresses of the Owners of all Bonds as shown on registration books of the Authority maintained by the Bond Registrar. All notices to Bondholders required to be delivered hereunder shall be delivered to the address of such Bondholders shown on the registration books of the Authority maintained by the Bond Registrar.

**Section 8.09 Mortgage-Backed Securities.**

(a) Except in the case of a redemption permitted by Section 3.01(a) hereof, or when required or necessary in order to maintain the tax exemption on the Series 2013A Bonds under the Code, or as directed by Owners of a majority in aggregate principal amount of the Outstanding Bonds of a Series pursuant to Article X hereof, the Authority and the Trustee shall not voluntarily sell any Mortgage-Backed Security and no Mortgage-Backed Security may be assigned by the Trustee except to a successor Trustee hereunder.

(b) The Trustee shall not acquire Mortgage Loans but shall disburse proceeds of the Bonds solely for the purpose of purchasing the Mortgage-Backed Securities (backed by Mortgage Loans) described in Exhibit B hereto, as provided in Section 5.03 hereof.

(c) With respect to the Mortgage-Backed Securities, (i) each Mortgage-Backed Security shall be registered in the name of the Trustee or its nominee and (ii) such Mortgage-Backed Security shall be credited to the account of the Trustee or its nominee at a clearing corporation, as defined under and pursuant to the Uniform Commercial Code applicable to the clearing corporation and the clearing corporation shall be registered as a clearing agency under the Exchange Act, and the Trustee shall be the “entitlement holder” (as defined under and pursuant to the UCC applicable to the clearing corporation) with respect to the Mortgage-Backed Securities. The Mortgage-Backed Securities shall be held in trust by the Trustee for the benefit of Bondholders of the related Series of Bonds.

(d) If any payment of principal or interest on the Mortgage-Backed Securities is not received by the Trustee by the close of business on the applicable date on which

such payment is due, the Trustee shall, as soon as practicable on the next subsequent Business Day, give telephonic notice of such failure to receive payment to FNMA or GNMA, as applicable, or its authorized agent and shall diligently seek such payment.

(e) The Authority shall take whatever action is required by law from time to time to pledge the Mortgage-Backed Securities to the Trustee.

(f) The Authority shall diligently take all steps necessary or desirable to diligently enforce all terms of the Mortgage-Backed Securities, the Mortgage Loans, and the Program Agreements and all such other documents evidencing obligations of the Authority related to the Mortgage-Backed Securities, subject to the right of the Authority to forgive the principal thereof. The Authority shall at all times, to the extent permitted by law, but subject to the provisions of Section 7.12 hereof and the rights of Bondholders herein, defend, enforce, preserve and protect the rights and privileges of the Authority and of the Bondholders under or with respect to each Mortgage-Backed Security and Mortgage Loan and the Program Agreements, provided that this provision shall not be construed to prevent the Authority from releasing any mortgagor from, or waiving, any of such mortgagor's obligations under the respective Mortgage Loan to the extent necessary to preserve the tax-exempt status of the Series 2013A Bonds.

**Section 8.10 Enforcement of Mortgage-Backed Securities.** Subject to the rights of Bondholders herein, the Trustee shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage-Backed Securities, subject to the right of the Authority to forgive the principal thereof. The Authority and the Trustee shall at all times, to the extent permitted by law, but subject to the provisions of Section 7.12 hereof and the rights of Bondholders herein, herein and subject to the Trustee's requirement to receive prior security and/or indemnity satisfactory to it, defend, enforce, preserve and protect the rights and privileges of the Trustee and of the Bondholders under or with respect to the Mortgage-Backed Securities, subject to the right of the Authority to forgive the principal thereof.

**Section 8.11 Issuance of Additional Obligations.** The Authority shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness secured by a charge and lien on the Pledged Revenues or other moneys, securities, funds and property pledged by this Indenture, other than the Bonds authorized under Section 2.01 hereof.

**Section 8.12 Covenants To Maintain Tax-exempt Status.**

(a) The Authority covenants not to commit or fail to commit any act within the control of the Authority that would alter the status or character of the Series 2013A Bonds or the interest to be paid in respect of the Series 2013A Bonds for purposes of federal taxation. The Authority shall at all times use its best efforts to do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Series 2013A Bonds shall not be includable in gross income for federal income tax purposes, and the Trustee shall cooperate with the Authority to such end.

(b) The Authority covenants and certifies to and for the benefit of the owners of the Series 2013A Bonds that so long as any Series 2013A Bonds remain Outstanding, moneys on deposit in any Fund or Account in connection with the Series 2013A Bonds, whether or not such moneys were derived from the proceeds of the sale of the Series 2013A Bonds or from any other sources, will not be used in a manner which will cause the Series 2013A Bonds to be classified as “arbitrage bonds” within the meaning of Sections 143 and 148 of the Code. Pursuant to such covenant, the Authority obligates itself, to the extent permitted by law, to comply throughout the term of the issue of the Series 2013A Bonds with the requirements of Sections 143 and 148 of the Code.

(c) In particular, the Authority covenants as follows: (i) the Authority attempted in good faith to meet all mortgagor eligibility requirements imposed by Section 143 of the Code with respect to all of the Mortgage Loans, before the mortgages were executed, by placing restrictions in the Origination Agreements that permitted the financing of Mortgage Loans only in accordance with such requirements and by establishing reasonable procedures to ensure compliance with such requirements, including reasonable investigations by the Authority or its agents to determine that the Mortgage Loans satisfied such requirements; (ii) the Authority will use all due diligence to assure all the lendable proceeds of the Series 2013A Bonds devoted to owner financing under the Program shall be devoted to Single Family Residences as to which, at the time the mortgages are executed or assumed, all such mortgagor eligibility requirements are met; and (iii) the Authority shall correct any and all failures to meet such mortgagor eligibility requirements within a reasonable time after such failure is discovered by, for example, causing the nonqualifying Mortgage Loan to be repurchased by the Master Servicer and removed from the Pool.

(d) The Authority shall timely file, or shall cause to be timely filed, such reports as are required by the Code.

**Section 8.13 Modification of Mortgage Terms.** The Authority shall consent to the modification of, or modify, the amount of time or payment of any installment of principal or interest on any Mortgage Loan or the security for or any terms or provisions of any Mortgage Loan or Mortgage or the security for the same or the rate or rates of interest on the Mortgage Loans, solely to the extent required by federal or State law or regulations or as otherwise necessary in order to maintain the tax exemption on the Series 2013A Bonds under the Code.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

**Section 9.01 Supplemental Indentures Not Requiring Consent of Bondholders.** The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to modify, amend or supplement this Indenture or cure any ambiguity or formal defect or omission in this Indenture so long as such modification, amendment, supplement or cure does not materially adversely affect the security of the Bondholders;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee or to make any change which is not to the prejudice of the Bondholders;

(c) to subject to this Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement this Indenture or any bond indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America and, if they so determine, to add to this Indenture or any bond indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) to evidence the appointment of a separate or co-trustee or the succession of a new Trustee or paying agent hereunder;

(f) to modify, amend or supplement this Indenture in order to maintain the exclusion of interest on the Series 2013A Bonds from gross income for federal tax purposes; or

**Section 9.02 Supplemental Indentures Requiring Consent of Bondholders.**

Exclusive of Supplemental Indentures covered by Section 9.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Owners of no less than two-thirds of the aggregate principal amount of the Bonds Outstanding and affected by the action proposed, shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section 9.02 contained shall permit, or be construed as permitting, without the consent of the Owners of all Outstanding Bonds and affected by the action proposed, (a) an extension of the maturity date of the principal of or the interest on any Bond issued hereunder or the date or dates of payments thereon pursuant to Section 5.04 hereof; (b) a reduction in the principal amount of any Bond or the rate of interest thereon or the amount of the payments thereon pursuant to Section 5.04 hereof; (c) a privilege or priority of any Bond over any other Bond; (d) a reduction in the percentage of Owners of the aggregate principal amount of Bonds Outstanding required for consent to such Supplemental Indenture; (e) the creation of any lien other than a lien ratably securing all of the Bonds of a Series at any time Outstanding hereunder; or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee, including, without limitation, the lien of the Trustee provided in Section 7.04 hereof or



the right to sell or assign the Mortgage-Backed Securities provided in Section 8.09 hereof (but such modification as provided in this clause (f) shall not be made without the written consent of the Trustee).

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily secured and/or indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by first-class mail, postage prepaid to each Owner of a Bond and affected by the action proposed, as shown on the list of Bondholders required by Section 8.08 hereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners of Bonds Outstanding. If, within 60 days or such longer period as shall be prescribed by the Authority following the final publication of such notice, the Owners of no less than two-thirds of the aggregate principal amount of Bonds Outstanding and affected by the action proposed at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section 9.02 permitted and provided, this Indenture shall be deemed to be modified and amended in accordance therewith.

**Section 9.03 Modifications by Unanimous Consent.** The terms and provisions of this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the execution by the Authority and the Trustee of a Supplemental Indenture and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in Section 9.02, except that no notice to Bondholders by mailing shall be required.

**Section 9.04 Mailing.** Any provision in this Article for the mailing of a notice or other document to the Bondholders shall be fully complied with if it is mailed postage prepaid only (a) to each Owner of Bonds then Outstanding at its address appearing upon the registration books of the Authority maintained by the Bond Registrar, and (b) to the Trustee.

**Section 9.05 Exclusion of Bonds.** Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture. At the time of any consent or other action taken under this Indenture, the Authority shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

**Section 9.06 Notation on Bonds.** Bonds delivered after the effective date of any action taken as provided in this Article IX or in Article X may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case, upon demand of the Owner of any Bond Outstanding at such effective date and

upon presentation of its Bond for the purpose at the designated corporate trust office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority shall so determine, new Bonds so modified as in the opinion of Bond Counsel to conform to such action shall be prepared and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same maturity then Outstanding, upon surrender of such Bonds.

**Section 9.07 General Provisions Relating to Supplemental Indentures.** This Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article IX. Nothing contained in this Article IX shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any indenture, act or other instrument pursuant to the provisions of Section 8.04 or the right or obligation of the Authority to enter into with, or execute and deliver to the Trustee any instrument elsewhere in this Indenture provided or permitted to be entered into with or delivered to the Trustee.

A copy of every Supplemental Indenture shall be accompanied by Counsel's Opinion satisfactory to the Trustee stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and is valid, binding and enforceable in accordance with its terms.

The Trustee is hereby authorized to enter into any Supplemental Indenture permitted or authorized pursuant to the provisions of this Indenture and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on Counsel's Opinion that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

No Supplemental Indenture changing, amending or modifying any of the rights or obligations of the Trustee may be adopted by the Authority without the written consent of the Trustee.

## ARTICLE X

### DEFAULTS AND REMEDIES

**Section 10.01 Events of Default.** Each of the following events is hereby declared an "event of default" under this Indenture:

- (a) the failure to pay the principal of or the interest on any Bond of a Series when the same shall become due, whether at maturity, or on any Payment Date;
- (b) default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Indenture, any Supplemental Indenture or in the Bonds of a Series and continuance of such default for a period of 30 days after written notice thereof by the Trustee or the Owners of a majority in aggregate principal amount of the related Series of Outstanding Bonds;

(c) if the Authority shall file any petition seeking relief under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State; or

(d) if the State has limited or altered the rights of the Authority pursuant to the Act, as in force on the date of this Indenture, to fulfill the terms of any agreements made with the holders of Bonds of a Series or in any way impaired the rights and remedies of holders of such Bonds while any such Bonds are Outstanding;

provided, however, that an event of default shall not be deemed to exist under the provisions of clause (b) above with respect to a Series of the Bonds unless the notice referred to in clause (b) shall have been given by the Trustee or the Owners of a majority in aggregate principal amount of such Series of the Outstanding Bonds.

Upon the happening or existence of any event of default specified in this Section 10.01, the Trustee shall notify the Owners of all such Series of Bonds Outstanding no later than the close of the Business Day next following the happening or existence.

#### **Section 10.02 Remedies.**

(a) Upon the happening and continuance of any event of default specified in Section 10.01, the Trustee may, and shall upon the written request of the Owners of a majority in aggregate principal amount of a Series of Bonds then Outstanding and affected by the event of default, proceed in its own name, and after receiving security and/or indemnity satisfactory to it with respect to any costs and expenses which may be incurred, to protect and enforce its rights and the rights of the related Bondholders by such of the following remedies, as the Trustee, as directed by the Owners of a majority in aggregate principal amount of the related Series of Bonds then Outstanding, shall deem most effectual to protect and enforce such rights:

(i) by suit, action or proceeding in accordance with the laws of the State, enforce all rights of the related Bondholders;

(ii) by bringing suit upon the applicable Series of Bonds;

(iii) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the applicable Series of Bonds;

(iv) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the applicable Series of Bonds;

(v) declare all such Series of Bonds due and payable in the amounts provided in this Indenture, and if all defaults shall have been cured, then, with the written consent of the Owners of a majority in aggregate principal amount of the related Bonds then Outstanding, to annul such declaration and its consequences; and

(vi) sell the related Mortgage-Backed Securities, but only if there is an event of default with respect to payments on the related Mortgage-Backed Securities, pursuant to the procedures set forth in Section 10.02(b) hereof.

Notwithstanding any other provision of this Indenture to the contrary, the Trustee shall not exercise any remedies described herein or pursue any other course of action unless it shall have received the written direction of the Owners of a majority in aggregate principal amount of the related Series of Bonds then Outstanding setting forth the remedies to be pursued by the Trustee.

(b) In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due for principal, redemption price, interest or otherwise, under any provision of this Indenture or of the related Series of Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest payable on such Bonds prior to maturity, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the related Bondholders, and to recover and enforce judgment or decree for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) All remedies herein shall be applied on a Series by Series basis to the Bonds. The Owners of the Series 2013A Bonds shall have no rights in or any rights to consent to or to direct remedies with respect to the Series 2013B Mortgage-Backed Securities, and the Owners of the Series 2013B Bonds shall have no rights in or any rights to consent to or to direct remedies with respect to the Series 2013A Mortgage-Backed Securities.

**Section 10.03 Priority of Payments After Default.** Following an event of default and the exercise of remedies hereunder, if the funds held by the Trustee shall be insufficient for the payment of interest and principal or redemption price then due on a Series of Bonds, such funds (other than funds held for the payment or redemption of particular Bonds of a Series which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and this Article X shall be applied as follows:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the related Series and to the payment of fees, charges, expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under this Indenture, first, from amounts held in the Expense Fund, second, from amounts attributable to interest received on the related Mortgage-Backed Securities and third, from amounts attributable to principal received on the related Mortgage-Backed Securities;

(b) after making the payments described in (a) above, all remaining amounts shall be applied on a Payment Date as follows:

(i) all remaining amounts attributable to interest received on the related Mortgage-Backed Securities, including any interest earnings thereon, shall be applied to pay interest on the related Bonds to the Owners thereof ratably without any discrimination or preference except as to any difference in the respective rates of interest specified in the related Bonds; and

(ii) all remaining amounts attributable to principal received on the related Mortgage-Backed Securities, including any interest earnings thereon, shall be applied to pay the principal of the related Bonds to the persons entitled thereto ratably without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section 10.03, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Authority, any Bondholder or any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to exist. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Owner of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Section 10.04 Termination of Proceedings.** In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

**Section 10.05 Bondholders' Direction of Proceedings.** The Owners of the majority in aggregate principal amount of the Bonds of a Series then Outstanding and affected by an event of default shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder with respect to that Series provided that the Trustee is first furnished security and/or indemnity satisfactory to it for all costs, expenses and liabilities which may be incurred in connection with the conducting of such proceedings and that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

**Section 10.06 Limitation on Rights of Bondholders.** No Owner of any Bond of a Series affected by an event of default shall have any right to institute any suit, action or other proceeding hereunder or for the protection or enforcement of any right under this Indenture or any right under law unless such Owner shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken and unless the Owners of a majority in aggregate principal amount of the related Series of Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and/or indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of security and indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy hereunder or under law. It is understood and intended that no one or more Owners of the related Series of Bonds hereby secured shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under law with respect to the related Bonds or this Indenture, except in the manner herein provided, and that all proceedings shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners of the related Outstanding Bonds. Notwithstanding the foregoing provisions of this Section 10.06 or any other provisions of this Article X, the obligation of the Authority shall be absolute and unconditional to pay the principal, redemption price, if any, and interest on the related Bonds to the respective Owners thereof on the respective due dates thereof, but solely out of applicable Pledged Revenues and the Trust Estate, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Anything to the contrary notwithstanding contained in this Section 10.06, or any other provision of this Indenture, each Owner of any Bond of a Series by its acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any such Bondholder, or group of such Bondholders, holding a majority in aggregate principal amount of the related Series of Bonds Outstanding, or to any suit instituted by any such Bondholder for the enforcement of the payment of the principal or redemption price of or interest on any such Bond on or after the respective due date thereof expressed in such Bond.

**Section 10.07 Possession of Bonds by Trustee Not Required.** All rights of action under this Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall

be brought in its name for the benefit of all the Owners of such Bonds, subject to the provisions of this Indenture.

**Section 10.08 Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

**Section 10.09 No Waiver of Default.** No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

**Section 10.10 Notice of Event of Default.** The Trustee shall mail written notice to all Bondowners of a Series of (a) each event of default related to such Series hereunder of which the Trustee is deemed to have knowledge pursuant to Section 7.12 hereof not later than the close of the Business Day following the happening or existence of such occurrence; and (b) each event related to such Series of which the Trustee has received written notice which could lead to an event of default with respect to such Series with the passage of time within 30 days after knowledge of such event, unless such occurrence or event of default shall have been remedied or cured before the giving of such notice, provided that, except in the case of default in the payment of the principal or the interest on any of the Bonds of a Series, or in the making of any payment required to be made into the Revenue Fund, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the related Bondholders. Such notice shall be mailed postage prepaid to each Owner of related Bonds then Outstanding at its address appearing upon the registry books of the Authority maintained by the Bond Registrar.

## ARTICLE XI

### EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOFS OF OWNERSHIP OF BONDS

Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein provided), if made as provided in the following paragraph.

The fact and date of the execution by a Bondholder or its attorney or agent of any such instrument and of any instrument appointing any such attorney or agent may be proved by delivery of a certificate, which need not be acknowledged or verified, of an officer of any bank, trust company or other depository, or of any notary public, or other officer authorized to take

acknowledgments. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of its authority. The fact of ownership of Bonds and the amount or amounts, numbers and other identification of the Bonds, and the date of owning the same, shall be proved by the registration books of the Authority maintained by the Bond Registrar pursuant to Section 8.08 hereof.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters therein stated which may seem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Authority or the Trustee in pursuance of such request or consent.

Notwithstanding anything herein to the contrary, this Article shall be subject to the provisions of Section 2.14.

## ARTICLE XII

### DEFEASANCE

**Section 12.01 Release of Lien of Indenture.** If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of the Bonds of a Series then Outstanding, the principal, redemption price, if any, and interest to become due thereon, at the times and in the manner stipulated therein and in this Indenture, and to the Trustee the Trustee's fee and expenses, then in that event the pledge made in and by this Indenture and all other covenants, agreements and other obligations of the Authority to such Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such release and discharge, and the Trustee shall pay over or deliver to the Authority all moneys or securities related to such Bonds held by it pursuant to this Indenture which are not required for the payment or redemption of such Bonds not theretofore surrendered for such payment or redemption.

**Section 12.02 Payment of Bonds.** All Outstanding Bonds of a Series shall, prior to their maturity or redemption thereof, be deemed to have been paid within the meaning of Section 12.01 if (a) in case any of said Bonds are to be optionally redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions to publish as provided in Article III notice of redemption on said date of such Bonds; (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Direct Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, premium, if any, and interest due and to become due on said Bonds on the maturity date or prior Redemption Date thereof, as the case may be; (c) there shall be deposited with the Trustee moneys sufficient to pay the Trustee's fee and expenses then due and owing and the Trustee's fee to accrue prior to the payment in full of the principal, premium, if any, and interest on said Bonds; and (d) if said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to mail postage prepaid, as soon as practicable, a notice to the Owners of



such Bonds that the deposit required by clause (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal, premium, if any, and interest on said Bonds. In determining the sufficiency of the moneys and/or Direct Obligations deposited pursuant to clause (b) of this Section 12.02, the Trustee shall be entitled to receive, at the expense of the Authority, and may rely on a verification report of a firm of nationally recognized independent certified public accountants. Neither Direct Obligations nor moneys deposited with the Trustee pursuant to this Section 12.02 nor principal or interest payments on any such Direct Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, premium, if any, and interest on said Bonds, provided that any cash received from such principal or interest payments on such Direct Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable be reinvested in Direct Obligations maturing at times and in amounts sufficient to pay when due the principal, premium, if any, and interest to become due on said Bonds and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge.

Notwithstanding the foregoing, no such deposit of moneys or Direct Obligations may be effectuated by the Authority more than 15 days prior to the scheduled payment date or Redemption Date of the affected Bonds without the consent of the Owners of such Bonds.

## ARTICLE XIII

### MISCELLANEOUS

**Section 13.01 Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture or any Supplemental Indenture, shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority and the Trustee, any Bondholder and their agents and representatives, any of whom may make copies thereof at their own expense.

**Section 13.02 Parties in Interest.** Nothing in this Indenture or any Supplemental Indenture adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than the Authority, the Trustee or the Owners of the Bonds any rights, remedies or claims under or by reason of this Indenture or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in this Indenture and any Supplemental Indenture contained by or on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee and the Owners from time to time of the Bonds pertaining thereto.

**Section 13.03 No Recourse Under Indenture or on Bonds.** All covenants, stipulations, promises, agreements and obligations of the Authority and the Trustee contained in this Indenture and any Supplemental Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and the Trustee, as applicable, and not of any Member, officer or employee of the Authority or member, officer or employee of the Trustee in his or her individual capacity, and no recourse shall be had for the payment of the principal or

redemption price of or interest on the Bonds or for any claim based thereon or on this Indenture against any Member, officer or employee of the Authority or member, officer or employee of the Trustee or any person executing or authenticating the Bonds.

**Section 13.04 Severability.** If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Indenture or any Supplemental Indenture on the part of the Authority or the Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Indenture.

**Section 13.05 Notices.** Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first-class mail, postage prepaid, or sent by overnight delivery, addressed to the appropriate Notice Address. The Authority, the Trustee, Fitch and the Master Servicer may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 13.06 Counterparts.** This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 13.07 Payments Due on Saturdays, Sundays and Holidays.** In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bond shall not be a Business Day, then payment of interest or principal may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption.

**Section 13.08 Headings.** Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference only and shall not constitute a part of this Indenture nor shall they affect its meaning, construction or effect.

**Section 13.09 Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, Illinois Housing Development Authority has caused this Indenture to be executed on its behalf by an Authorized Signatory, and the Trustee, to evidence the acceptance of trusts hereunder, has caused this Indenture to be executed by its duly authorized officer, all as of the day and year first above-written.

ILLINOIS HOUSING DEVELOPMENT  
AUTHORITY

By \_\_\_\_\_  
Authorized Signatory

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee

By \_\_\_\_\_  
Vice President

**EXHIBIT A**  
**FORM OF BOND**

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
[ \$ \_\_\_\_\_ ]  
**HOUSING REVENUE BONDS,**  
**SERIES 2013A (MBS PASS-THROUGH PROGRAM)]**  
[ \$ \_\_\_\_\_ ]  
**FEDERALLY TAXABLE HOUSING REVENUE BONDS,**  
**SERIES 2013B (MBS PASS-THROUGH PROGRAM)]**

**THIS BOND IS A LIMITED OBLIGATION, AND NOT A GENERAL OBLIGATION, OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES PLEDGED THEREFOR PURSUANT TO THE INDENTURE. THE STATE IS NOT LIABLE ON THIS BOND AND THIS BOND IS NOT A DEBT OF THE STATE. SECTION 26.1 OF THE ILLINOIS HOUSING DEVELOPMENT ACT SHALL NOT APPLY TO THIS BOND.**

No. R- \_\_\_\_\_

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Dated Date</b>	<b>CUSIP</b>
_____ %	_____ 1, 20__	_____, 2013	45201Y ____

Registered Holder: CEDE & CO.

Principal Sum: \$ \_\_\_\_\_ (Initial Amount)

The Illinois Housing Development Authority, a body politic and corporate of the State of Illinois (the "Authority"), for value received, promises to pay (from the sources herein described) to the Registered Holder (named above), or registered assigns, upon presentation and surrender of this Bond, the Principal Sum on the Maturity Date (stated above) and to pay interest on said Principal Sum from the Dated Date (stated above) at the Interest Rate (stated above) per annum, payable on each Interest Payment Date (as defined in the hereinafter-defined Indenture), calculated on the basis of a 360-day year with twelve 30-day months, until said Principal Sum is duly paid or provided for, subject to the provisions referred to herein with respect to the prepayment or redemption hereof before maturity. Principal and interest with respect to this Bond are payable in lawful money of the United States of America to the person in whose name this Bond is registered at the close of business on the Record Date, except as otherwise provided in the Indenture, as defined below. Payment of principal and interest at maturity will be made upon presentation and surrender of this Bond to The Bank of New York Mellon Trust Company, N.A., or its successor, as Trustee and Bond Registrar (the "Trustee").

EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURE, THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED IN THE INDENTURE) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

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

This Bond is one of a duly authorized Series of Bonds designated “Illinois Housing Development Authority, [Housing Revenue Bonds, Series 2013A (MBS Pass-Through Program)] [Federally Taxable Housing Revenue Bonds, Series 2013B (MBS Pass-Through Program)]” (herein called the “Bonds”), issued by the Authority in the aggregate principal amount of \$\_\_\_\_\_. All of the Bonds are equally secured by the pledge and covenants made in the Indenture; provided, however, that prior to an event of default (as defined in the Indenture), the principal of and the interest on this Bond are payable from all interest payments, scheduled principal payments and prepayments from specific Mortgage-Backed Securities, as more fully set forth in the Indenture.

The Bonds are being issued to provide funds to the Authority for the purpose of acquiring and purchasing Mortgage-Backed Securities backed by Mortgage Loans made to low- and moderate-income persons in Illinois (the “State”) to finance sanitary, safe and uncrowded single-family housing. The Bonds are issued under and pursuant to the Illinois Housing Development Act (the “Act”), a resolution adopted by the Authority dated February 15, 2013, and the Trust Indenture, dated as of April 1, 2013 (the “Indenture”), copies of which are on file at the corporate trust office of the Trustee in Chicago, Illinois. Terms used herein and not otherwise defined shall have the meanings set forth in the Indenture. Reference is hereby made to the Indenture and to the Act for a description of the pledge and covenants securing the Bonds, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owners of the Bonds, the terms and conditions upon which the Bonds are issued thereunder and a statement of the rights, duties, immunities and obligations of the Authority and of the Trustee. Such pledge and other obligations of the Authority under the Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Indenture.

This Bond is transferable by the registered holder hereof in person or by the holder’s attorney duly authorized in writing at the corporate trust office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of the same series, maturity or maturities and interest rate and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

The Authority and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving

payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

The Bonds are issuable only as fully registered bonds in amounts equal to the principal amount of each maturity thereof. Upon payment of any required tax, fee or other governmental charge and subject to such conditions, the Bonds, upon the surrender thereof at the corporate trust office of the Trustee in Chicago, Illinois, with a written instrument of transfer, in form and with guarantee of signature satisfactory to the Trustee, duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate of any authorized denomination. The Authority and the Trustee shall not be required (a) to issue, register the transfer of or exchange any Bonds during a period beginning at the Trustee's opening of business on the applicable Record Date and ending at the Trustee's close of business on the applicable Interest Payment Date; or (b) to register the transfer of or exchange any Bonds selected, called or being called for redemption.

The Bonds are subject to redemption and prepayment as set forth in the Indenture.

If the Bonds are called for redemption as provided in the Indenture, notice thereof identifying the Bonds to be redeemed and the redemption date thereof shall be given by the Trustee by mailing (and/or providing by other arrangement acceptable to DTC) a copy of the redemption notice to DTC at least 20 days but no more than 30 days prior to the date fixed for redemption. Failure to give such notice by mail shall not be a condition precedent to or affect the validity of any proceeding for the redemption of other Bonds. All Bonds called for redemption will cease to bear interest from and after the Redemption Date, provided funds for their redemption are on deposit at the place of payment at that time.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. The Indenture prescribes the manner in which it may be discharged, including a provision that the Bonds shall be deemed to be paid if Direct Obligations, as defined therein, maturing as to principal and interest in such amounts and at such times as will provide sufficient funds to pay the principal of and interest on the Bonds are deposited with the Trustee.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Authority and the rights of the Bondholders of the Bonds at any time by the Authority and the Bondholders of all Bonds then Outstanding, as defined in the Indenture. Any such consent or waiver by the holder of this Bond shall be conclusive and binding upon such holder and upon all future Bondholders of this Bond and of any Bond issued upon the transfer or exchange of this Bond, whether or not notation of such consent or waiver is made upon this Bond. The Indenture also permits the Trustee, upon the consent of two-thirds of the Bondholders of all Bonds then Outstanding, with certain exceptions provided therein, to execute with the Authority supplemental indentures for the purpose of modifying, altering, amending, adding to or rescinding any terms of the Indenture or any supplemental indentures. The Indenture also permits the Trustee, without the consent of the

Bondholders of any of the Bonds, to consent to supplements to the Indenture to cure ambiguities, supply omissions, cure defects or inconsistencies, clarify matters or questions in the Indenture or to make any change which, in the judgment of the Trustee, is not to the material prejudice of the Bondholders. The Indenture also contains provisions permitting the Trustee to waive certain past defaults under the Indenture and their consequences.

The Authority hereby certifies, recites and declares that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Authority, do not exceed or violate any constitutional or statutory limitation applicable to the Authority.

IN WITNESS WHEREOF, the Illinois Housing Development Authority has caused this Bond to be executed in its name by the manual or facsimile signature of its [Chairman] [Vice Chairman] [Executive Director] [Deputy Executive Director] and its official seal to be impressed or printed hereon and attested by the manual or facsimile signature of its Secretary.

ILLINOIS HOUSING DEVELOPMENT  
AUTHORITY

By \_\_\_\_\_  
[Chairman] [Vice Chairman] [Executive  
Director] [Deputy Executive Director]

Attest:

By \_\_\_\_\_  
Secretary

\* \* \* \* \*

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds of the issue described in the within-mentioned Indenture.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee

By \_\_\_\_\_  
Vice President

Dated: \_\_\_\_\_, 2013



## ASSIGNMENT

FOR VALUE RECEIVED, [\_\_\_\_\_] (“Transferor”), the undersigned, hereby sells, assigns and transfers unto [\_\_\_\_\_] (Social Security or Federal Employer Identification No. [\_\_\_\_\_] (“Transferee”) the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints [\_\_\_\_\_] as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed:

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

\_\_\_\_\_  
NOTICE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature to this assignment corresponds with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

**EXHIBIT B**

**SERIES 2013A BONDS MORTGAGE-BACKED SECURITIES**

MORTGAGE-BACKED SECURITY CUSIP	MORTGAGE-BACKED SECURITY PASS-THROUGH RATE	ORIGINAL MORTGAGE-BACKED SECURITY PRINCIPAL AMOUNT	MORTGAGE-BACKED SECURITY PRINCIPAL OUTSTANDING (AS OF 10/25/12)
<b>GNMA MORTGAGE-BACKED SECURITIES</b>			
<b>Total GNMA Mortgage-Backed Securities</b>			
<b>FNMA MORTGAGE-BACKED SECURITIES</b>			
<b>Total FNMA Mortgage-Backed Securities</b>			
<b>Total Mortgage-Backed Securities</b>			

**SERIES 2013B BONDS MORTGAGE-BACKED SECURITIES**

MORTGAGE-BACKED SECURITY CUSIP	MORTGAGE-BACKED SECURITY PASS-THROUGH RATE	ORIGINAL MORTGAGE-BACKED SECURITY PRINCIPAL AMOUNT	MORTGAGE-BACKED SECURITY PRINCIPAL OUTSTANDING (AS OF 10/25/12)
<b>GNMA MORTGAGE-BACKED SECURITIES</b>			
<b>Total GNMA Mortgage-Backed Securities</b>			
<b>FNMA MORTGAGE-BACKED SECURITIES</b>			
<b>Total FNMA Mortgage-Backed Securities</b>			
<b>Total Mortgage-Backed Securities</b>			

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