



EXPANDED AGENDA

July 10, 2019

| | | Res # |
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| 4:00 p.m. | I. <u>INFORMATION EXCHANGE</u> A. Resident Advisory Board B. Community Forum | |
| 4:40 p.m. | <u>RECESS</u> | |
| 4:40 p.m. | <u>ADJOURN</u> | |
| 4:45 p.m. | <u>ADMINISTRATIVE SESSION</u> <i>A closed Administrative Session will be called to order pursuant to Section 3-305(b)(2) and (8) of the General Provisions Article of the Annotated Code of Maryland</i> | |
| 5:15 p.m. Page 6 | II. <u>APPROVAL OF MINUTES</u> A. Approval of Minutes of June 5, 2019 B. Approval of Minutes of June 5, 2019 Administrative Session C. Approval of Minutes of June 12, 2019 Special Session D. Approval of Minutes of June 21, 2019 Special Session E. Approval of Minutes of June 21, 2019 Special Administrative Session | |
| Page 26 | III. <u>CONSENT</u> A. Acceptance of Calendar Year 2018 CCL Multifamily LLC Audit | 19-72 _(pg 28) |
| 5:20 p.m. Page 30 | IV. <u>INFORMATION EXCHANGE (CONTINUED)</u> A. Report of the Executive Director B. Commissioner Exchange | |
| 5:25 p.m. | V. <u>ADMINISTRATIVE AND SPECIAL SESSION RATIFICATION</u> A. Ratification of Action taken on June 21, 2019 Special Administrative Session: <ul style="list-style-type: none"> • Approval of the Financing Plan for the Elizabeth House III Development and Authorization to Issue Loans, Issue Commitments for Permanent Financing, Hedge Interest Rate Risk, and to Accept Loans • Approval to Draw from the PNC Bank, N.A. Real Estate Line of Credit during the Acquisition and Construction of Elizabeth House III Development • Adoption of an Authorizing Resolution for the Issuance of 2019 Series A Multifamily Housing Development Bonds for the Financing of the Acquisition and Construction of the Elizabeth House III Development | 19-71 ^{AR} _(pg 37) 19-71 ^{BR} _(pg 40) 19-71 ^{CR} _(pg 42) |
| 5:30 p.m. | VI. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u> | |
| Page 52 | A. Budget, Finance and Audit Committee – Com. Nelson, Chair 1. Approval to Renew the Primary Audit Contract with Clifton Larson Allen, LLP for One Additional Year | 19-73 _(pg 55) |
| 5:40 p.m. Page 57 | B. Development and Finance Committee – Com. Simon, Chair 1. Approval of the Permanent Financing Plan for Glenmont Crossing; Approval to Form a New Ownership Entity in which to Transfer the Asset and Approval to Execute an Operating | 19-74 _(pg 70) 19-74 ^A _(pg 72) |

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| 5:50 p.m. Page 74 | <p>Agreement; Authorization to Issue a Financing Commitment; and, Authorization to Enter into a Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan</p> | |
| 6:00 p.m. Page 89 | <p>2. Approval of the Permanent Financing Plan for Glenmont Westerly; Approval to Form a New Ownership Entity in which to Transfer the Asset and Approval to Execute an Operating Agreement; Authorization to Issue a Financing Commitment; and, Authorization to Enter into a Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan</p> | 19-75 _(pg 87) |
| 6:10 p.m. Page 116 | <p>3. Approval of the Final Development Plan for Bauer Park Apartments and Approval to Select Enterprise Community Partners as the Tax Credit Investor for Bauer Park and Authorization for the Executive Director to Negotiate and Execute an Operating Agreement with Enterprise</p> | 19-76 _(pg 113) |
| | <p>4. Approval to Withdraw Excess Yield Funds Under the Multifamily Housing Development Bond Resolution and to Make Capital Contribution to Georgian Court to Fund Capital Expenditures and to Approve Selection of Edgewood Management Company, Property Manager to Project Manage the Proposed Capital Improvements Utilizing the Excess Yield Funds</p> | 19-77 _(pg 127) |
| 6:20 p.m. | VII. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u> | |
| Page 130 | <p>1. Approval of a New Bond Resolution Providing for the Creation of a New Trust Indenture to Finance Multiple Programs of the Housing Opportunities Commission of Montgomery County; Approval of Structure, Cost of Issuance Budget, and Adoption of Series Resolutions for the Issuance of 2019 Series A and 2019 Series B Program Revenue Bonds for the Purpose of Issuing Debt to Reimburse the Commission for Expenditures Incurred Under the Program</p> | 19-78 _(pg 262) 19-78 _{B(pg 265)} 19-78 _{C(pg 267)} |
| | <p>VIII. <u>*FUTURE ACTION ITEMS</u> None</p> | |
| 271 | <p>IX. <u>NEW BUSINESS</u></p> <ul style="list-style-type: none"> Approval of an Increase to the Renovation Budget for 880 Bonifant and Authorization of Additional Funds to Complete the Renovations | 19-81 _(pg 274) |
| | | |
| 6:30 p.m. | <u>ADJOURN</u> | |
| 6:30 p.m. | <u>DEVELOPMENT CORPORATION MEETINGS</u> | |
| Page 279 | <p><u>Glenmont Crossing Development Corporation</u></p> <ul style="list-style-type: none"> Approval to Transfer Glenmont Crossing to a Single Purpose Entity and to Dissolve and Terminate the Corporation | 19-003 _{GC(pg 282)} |
| 6:35 p.m. Page 285 | <p><u>Glenmont Westerly Development Corporation</u></p> <ul style="list-style-type: none"> Approval to Transfer Glenmont Westerly to a Single Purpose Entity and to Dissolve and Terminate the Corporation | 19-003 _{GW(pg 288)} |
| 6:40 p.n. | <u>Adjourn</u> | |
| 6:45 p.m. | <p><u>ADMINISTRATIVE SESSION</u> <i>A closed Administrative Session will be called to order pursuant to Secion 3-305(b)(3) and (13) of the General Provisions Article of the Annotated Code of Maryland</i></p> | |

NOTES:

1. This Agenda is subject to change without notice.
2. Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
3. ***Times are approximate and may vary depending on length of discussion.***
4. *These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
5. Commission briefing materials are available in the Commission offices the Monday prior to a Wednesday meeting.

If you require any aids or services to fully participate in this meeting, please call (240) 627-9425 or email commissioners@hocmc.org.

Information Exchange

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Minutes

June 5, 2019

19-06

The monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, June 5, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 4:13 p.m. Those in attendance were:

Present

Jackie Simon, Chair
Richard Y. Nelson, Vice Chair
Roy Priest, Chair Pro Tem
Linda Croom
Frances Kelleher

Absent

Pamela Byrd

Also Attending

Stacy L. Spann, Executive Director
Shauna Sorrells
Kayrine Brown
Fred Swan
Charnita Jackson
Derrick Thompson
Terri Fowler
Hyunsuk Choif
Ian-Terrell Hawkins

Aisha Memon, Acting General Council
Cornelia Kent
Zachary Marks
Darcel Cox
Sherraine Rawlins
Christina Autin
Eugenia Pascual
Ian Williams

Resident Advisory Board

Yvenne Caughman, Vice Chair

Guest

Moses African-American Cemetery Group

IT Support

Irma Rodriguez
Gabriel Taube

Commission Support

Patrice Birdsong, Spec. Asst. to the Commission

I. **Information Exchange**

Resident Advisory Board

- Yvonne Caughman, Vice Chair reported on the current activities of the Resident Advisory Board.

Community Forum

- Supporters of the Macedonia Baptist Church/Moses African-American Cemetery addressed the Board.
- Savitri Taneja addressed the Board with her concerns as a landlord. Lynn Hayes was designated to assist.

II. **Approval of Minutes**

- A. **Approval of Minutes of May 8, 2019** - The minutes were approved as submitted with a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.
- B. **Approval of Minutes of May 8, 2019 Administrative Session** – The minutes were approved as submitted with a motion by Chair Pro Tem Priest and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RECESS: Development Corporation Annual Meetings and Approval of FY 20 Budget

Meeting of the Housing Opportunities Commission of Montgomery County, Maryland reconvened at 5:15 p.m.

III. **Consent Items**

A. **None**

IV. **Information Exchange Continued**

Report of the Executive Director

- Nothing additional to add to written report

Commissioner Exchanger

- Congratulations on MARC-NAHRO Conference held May 29-30, 2019.

V. **COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION**

A. **Budget, Finance and Audit Committee – *Com. Nelson, Chair***

1. **Acceptance of Third Quarter FY'19 Budget to Actual Statements**

Cornelia Kent, Chief Financial Officer, and Terri Fowler, Budget Officer, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-57

RE: Acceptance of Third Quarter FY'19

Budget to Actual Statements

WHEREAS, the Budget Policy for the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) states that quarterly budget to actual statements will be reviewed by the Commission, and

WHEREAS, the Commission reviewed the Third Quarter FY’19 Budget to Actual Statements during its June 5, 2019 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Third Quarter FY’19 Budget to Actual Statements.

2. Authorization to Write-off Bad Debt Related to Tenant Accounts Receivable (January 1, 2019 – March 31, 2019)

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-58

**RE: Authorization to Write off Bad Debt Related to
Tenant Accounts Receivable**

WHEREAS, the current policy of the Housing Opportunities Commission of Montgomery County (“HOC”) is (i) to provide for an allowance for tenant accounts receivable balances that are delinquent for more than ninety (90) days; and (ii) to propose the write-off of former tenant balances; and

WHEREAS, staff periodically proposes the write-off of uncollected former tenant balances which updates the financial records to accurately reflect the receivables and the potential for collection; and

WHEREAS, the proposed write-off of former tenant accounts receivable balances for the period January 1, 2019 – March 31, 2019 is \$107,772, consisting of \$81,445 from Opportunity Housing properties, \$23,432 from RAD 6 properties, \$1,029 from Supportive Housing and \$1,866 from Public Housing properties.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes and directs the Executive Director, without further action on its part, to take any and all actions necessary and proper to write off \$107,772 in bad debt related to (i) tenant accounts receivable balances that are delinquent for more than ninety (90) days, and (ii) former tenant balances, including the execution of any and all documents related thereto.

3. Acceptance of Calendar Year 2018 Tax Credit Partnership

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted, as revised, upon a motion by Vice Chair Nelson and seconded by Chair Pro Tem Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-59

RE: Acceptance of CY 2018 Tax Credit Partnerships

WHEREAS, the Housing Opportunities Commission of Montgomery County (“Commission”), or its wholly-owned and controlled affiliate, is the managing general partner in twelve (12) tax credit partnerships, including: 4913 Hampden Lane Limited Partnership, Alexander House Limited Partnership, Arcola Towers RAD Limited Partnership, Barclay One Associates Limited Partnership, Forest Oak Towers Limited Partnership, Georgian Court Silver Spring Limited Partnership, Greenhills Limited Partnership, MV Affordable Housing Associates Limited Partnership, Spring Garden One Associates Limited Partnership, Tanglewood and Sligo Limited Partnership, Waverly House RAD Limited Partnership, and Wheaton Metro Limited Partnership (together, the “Tax Credit Partnerships”);

WHEREAS, the calendar year annual audits for the Tax Credit Partnerships have been completed;

WHEREAS, a standard unqualified audit opinion was received from the respective independent certified public accounting firms performing the audits for all of the Tax Credit Partnerships; and

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County accepts the CY 2018 audits for the Tax Credit Partnerships.

4. Approval to Procure Property Management Services Pursuant to RFP #2151 for: MetroPointe Limited Partnership and Development Corporation; Oaks at Four Corners; The Glen (Brooksid Glen, Limited Partnership); Timberlawn Crescent; The Manor at Fair Hill Farm; The Manor at Colesville; and The Manor at Clopper’s Mill, LLC

Charnita Jackson, Director of Property Management, and Sherraine Rawlins, Asset Manager, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-60

RE: Approval to Procure Property Management Services Pursuant to RFP #2151 for MetroPointe, The Manor at Fair Hill Farm, The Manor at Colesville, The Manor at Cloppers Mill, and Timberlawn Crescent, and Approval to Extend the Current Property Management Contract at Timberlawn Crescent

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner of Wheaton Metro Limited Partnership, which owns fifty-three (53) low-income housing tax credit units in a development known as MetroPointe (“MetroPointe”);

WHEREAS, HOC is the sole member of The Manor at Fair Hill Farm, LLC, which owns the development known as The Manor at Fair Hill Farm (“Fair Hill Farm”);

WHEREAS, HOC is the sole member of The Manor at Colesville, LLC, which owns the development known as The Manor at Colesville (“Colesville”);

WHEREAS, HOC is the sole member of The Manor at Cloppers Mill, LLC, which owns the development known as The Manor at Cloppers Mill (“Cloppers Mill”);

WHEREAS, HOC is the sole member of Timberlawn Pomander Properties LLC, which owns the development known as Timberlawn Crescent (“Timberlawn”);

WHEREAS, staff desires to execute a property management contract at MetroPointe with Bozzuto Management Company for a term of two years with two one-year renewals; and

WHEREAS, staff desires to execute property management contracts at Fair Hill Farm, Colesville, and Cloppers Mill with Habitat America, LLC for a term of two years with two one-year renewals.

WHEREAS, pursuant to an Agreement for Property Management Services effective July 1, 2016, Timberlawn is currently managed by Bozzuto Management Company (the “Bozzuto Contract”);

WHEREAS, the clubhouse at Timberlawn is currently under renovation and is not anticipated to be complete until after the expiration of the Bozzuto Contract;

WHEREAS, to allow the timely completion of the clubhouse renovations, staff recommends extending the Bozzuto Contract to December 31, 2019; and

WHEREAS, to be effective January 1, 2020, staff desires to execute a property management contract at Timberlawn with Edgewood/Vantage Management Company for a term of two years with two one-year renewals.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself on behalf of Wheaton Metro Limited Partnership, as its general partner, that the Executive Director is hereby authorized and directed to execute a contract with Bozzuto Management Company for a term of two years with two one-year renewals for property management services at MetroPointe.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of The Manor at Fair Hill Farm, LLC, that the Executive Director is hereby authorized and directed to execute a contract with Habitat America, LLC for a term of two years with two one-year renewals for property management services at Fair Hill Farm.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of The Manor at Colesville, LLC, that the Executive Director is hereby authorized and directed to execute a contract with Habitat America, LLC for a term of two years with two one-year renewals for property management services at Colesville.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of The Manor at Cloppers Mill, LLC, that the Executive Director is hereby authorized and directed to execute a contract with Habitat America, LLC for a term of two years with two one-year renewals for property management services at Cloppers Mill.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as the sole member of Timberlawn Pomander Properties LLC, that the Executive Director is hereby authorized to (1) extend the Bozzuto Contract to December 31, 2019, and (2) execute a contract with Edgewood/Vantage Management Company to be effective as of January 1, 2020, for a term of two years with two one-year renewals for property management services at Timberlawn.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is hereby authorized and directed, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction contemplated herein.

5. Approval to Extend the Use of PNC Bank, N.A., Line of Credit (LOC) and the Real Estate Line of Credit (RELOC) to Finance Commission Approved Actions Related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Ambassador Apartments, and Avondale Apartments

Cornelia Kent, Chief Financial Officer, and Eugenia Pascual, Controller, were the presenters.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Chair Pro Tem Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-61

RE: Approval to Extend the Use of PNC Bank, N.A.

Line of Credit (LOC) and the Real Estate Line of Credit (RELOC) to Finance Commission Approved Actions related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Ambassador Apartments, and Avondale Apartments

WHEREAS, the Housing Opportunities Commission of Montgomery County (“Commission”) has approved various actions related to Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Ambassador Apartments, and Avondale Apartments (together, the “Properties”), which are currently financed through the PNC Bank N.A. Line of Credit (the “LOC”) and the PNC Bank N.A. Real Estate Line of Credit (the “RELOC”); and

WHEREAS, staff recommends extending, through June 30, 2020, the use of the LOC at the taxable borrowing rate of LIBOR plus 90 basis points or the tax exempt rate of 68.5% of LIBOR plus 59 basis points, and the use of the RELOC at the taxable rate of LIBOR plus 58 basis points or the tax exempt rate of 68.5% of LIBOR plus 38 basis points to continue to finance Commission approved actions related to the Properties; and

WHEREAS, the estimated cost, as of April 1, 2019, under the LOC and RELOC is expected to be approximately \$298,516.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves extending, through June 30, 2020, the use of the PNC Bank N.A. Line of Credit and the PNC Bank N.A. Real Estate Line of Credit to finance various Commission actions related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Ambassador Apartments, and Avondale Apartments.

6. Approval to Concur with the Real Property Trade or Business (RPTOB) Election Request for Greenhills Apartments Limited Partnership, Waverly House RAD Limited Partnership, and Spring Garden One Associates Limited Partnership Pursuant to the Tax Cuts and Jobs Act

Cornelia Kent, Chief Financial Officer, was the presenter.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Chair Pro Tem Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO: 19-62

RE: Approval to Concur with the Real Property Trade or Business (RPTOB) Election Request for Greenhills Apartments Limited Partnership (LP), Waverly House RAD Limited Partnership, and Spring Garden One Associates Limited Partnership Pursuant to the Tax Cuts and Jobs Act (TCJA)

WHEREAS, Congress recently passed the Bipartisan Budget Act of 2015 and the Tax Cuts and Jobs Act of 2017 (“TCJA”); and

WHEREAS, the TCJA allows partnerships that meet certain standards to make an irrevocable election to be treated as a Real Property Trade or Business (“RPTOB”), which exempts the partnership from the business interest limitation but may require a change in the depreciation schedule; and

WHEREAS, PNC Real Estate Tax Credit, the Investor for Greenhills Apartments Limited Partnership has requested to make the RPTOB election, which will change their depreciation rate on the recent rehabilitation expenses from 27.5 years to 30 years and will allow them to continue to take the business interest expense as a deduction against federal taxable income; and

WHEREAS, R4 WP Acquisition LLC, the Investor for Waverly House RAD Limited Partnership has requested to make the RPTOB election, which will maintain their depreciation rate at 40 years and will allow them to continue to take the business interest expense as a deduction against federal taxable income; and

WHEREAS, M&T Trust Company, the Investor for Spring Garden One Associates Limited Partnership has requested to make the RPTOB election, which will change their depreciation rate from 27.5 years to 40 years and will allow them to continue to take the business interest expense as a deduction against federal taxable income.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Greenhills Apartments GP LLC, as its sole member, acting for itself and on behalf of Greenhills Apartments Limited Partnership, as its general partner, that the Executive Director is hereby authorized to concur with the RPTOB election.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Waverly House RAD GP LLC, as its sole member, acting for itself and on behalf of Waverly House RAD Limited Partnership, as its general partner, that the Executive Director is hereby authorized to concur with the RPTOB election.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of Spring Garden One Associates Limited Partnership, as its general partner, that the Executive Director is hereby authorized to concur with the RPTOB election.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, without any further action on its part, to take any and all other actions

necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

7. Adoption of the FY 20 Agency Budget

Cornelia Kent, Chief Financial Officer, and Terri Fowler, Budget Officer, were the presenters.

The following resolutions were adopted upon a motion by Vice Chair Nelson and seconded by Chair Pro Tem Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-64a

**RE: Adoption of the FY 20 Budget
Bond Draw Downs and Transfers**

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission" or "Agency") is required to adopt a budget based on the current chart of accounts in use before July 1, 2019; and

WHEREAS, the Commission is required to approve the transfer of equity between Agency funds.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby adopts a total Operating Budget for FY'20 of \$276.2 million by fund as attached.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves the drawdown of bond funds for the Operating Budget as follows:

- \$ 1,726,341 from the 1996 Multifamily Housing Development Bond (MHDB); and Indenture
- \$ 1,372,606 from the 1979 Single Family Mortgage Revenue Bond (MRB) Indenture.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County approves the following transfers between funds in order to balance the Operating Budget:

- Up to \$2,942,138 for FY'20 from the cash flow from the Opportunity Housing properties in the Opportunity Housing Fund to the General Fund.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County hereby adopts a Capital Budget for FY'20 of \$154.3 million as attached.

RESOLUTION NO. 19- 64b

RE: Reimbursement Resolution

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY (THE "COMMISSION") DECLARING ITS OFFICIAL INTENT TO REIMBURSE ITSELF WITH THE PROCEEDS OF A FUTURE TAX-EXEMPT BORROWING FOR CERTAIN CAPITAL EXPENDITURES TO BE UNDERTAKEN BY THE COMMISSION; IDENTIFYING SAID CAPITAL EXPENDITURES AND THE FUNDS TO BE USED FOR SUCH PAYMENT; AND PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission"), a public body corporate and politic duly organized under Division II of the Housing and Community

Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of the multifamily rental housing properties which provide a public purpose; and

WHEREAS, the Commission has determined that it is in the best interest of the Commission to make certain capital expenditures on the projects named in this Resolution; and

WHEREAS, the Commission currently intends and reasonably expects to participate in tax-exempt borrowings to finance such capital expenditures in an amount not to exceed \$160,000,000, *all or a portion of which may reimburse* the Commission for the portion of such capital expenditures incurred or to be incurred subsequent to the date which is 60 days prior to the date hereof but before such borrowing, and the proceeds of such tax-exempt borrowing will be allocated to reimburse the Commission's expenditures within 18 months of the later of the date of such capital expenditures or the date that *each of* the Projects (as hereinafter defined) is placed in service (but in no event more than 3 years after the date of the original expenditure of such moneys); and

WHEREAS, the Commission hereby desires to declare its official intent, pursuant to Treasury Regulation §1.150-2, to reimburse the Commission for such capital expenditures with the proceeds of the Commission's future tax-exempt borrowing for such projects named in this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION THAT:

Section 1. ***Declaration of Official Intent.*** The Commission presently intends and reasonably expects to finance certain Commission facilities and property improvements to the properties as described in the Commission's FY 20 Capital Budget attached, including **900 Thayer Avenue, Alexander House, Avondale Apartments, The Barclay, Bauer Park, Brooke Park, Brookside Glen, Camp Hill Square, CDBG-NSP-NCI, Chelsea Towers, Cider Mill, Dale Drive, Deeply Affordable Unit Renovation, Diamond Square, Elizabeth House III, Fairfax Court, Georgian Court, Glenmont Crossing, Glenmont Westerly, Greenhills, Holiday Park, Jubilee Hermitage, Jubilee Woodedge, King Farm Village Center, The Lindley (formerly Chevy Chase Lakes) Magruder's Discovery, Manchester Manor, Manor at Clopper's Mill, Manor at Colesville, Manor at Fair Hill Farm, McHome, McKendree, MetroPointe, The Metropolitan, Montgomery Arms, MHLV VII, MHLV VIII, MHLV IX-Pond Ridge, MHLV Scattered, MHLV X, MPDU 2007 Phase II, MPDU I, MPDU II (TPM), MPDU III, The Oaks at Four Corners, Paddington Square, Paint Branch, Pomander Court, Pooks Hill High-Rise, Pooks Hill Mid-Rise, RAD 6 Properties (Ken Gar, Parkway Wood, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square), Scattered Site One, Scattered Site Two, Shady Grove, Southbridge, State Rental Combined, Strathmore Court, Stewartown, Timberlawn, Upton, VPC One and VPC Two, Waverly House, Westwood Tower, and The Willows** and capital improvements to the Commission's administrative offices and information technology (collectively, the "Projects") with moneys currently contained in its Operating Reserve Account, Replacement Reserve Account and General Fund Property Reserve Account for these Projects and from its operating cash.

Section 2. ***Dates of Capital Expenditures.*** All of the capital expenditures covered by this Resolution which may be reimbursed with proceeds of tax-exempt borrowings were made not earlier than 60 days prior to the date of this Resolution except preliminary expenditures related to the Projects as defined in Treasury Regulation Section 1.150-2(f)(2) (e.g. architect's fees, engineering fees, costs of soil testing and surveying).

Section 3. **Issuance of Bonds or Notes.** The Commission presently intends and reasonably expects to participate in tax-exempt borrowings of which proceeds in an amount not to exceed \$160,000,000 **will be applied** to reimburse the Commission for its expenditures in connection with the Projects.

Section 4. **Confirmation of Prior Acts.** All prior acts and doings of the officials, agents and employees of the Commission which are in conformity with the purpose and intent of this Resolution, and in furtherance of the Projects, shall be and the same hereby are in all respects ratified, approved and confirmed.

Section 5. **Repeal of Inconsistent Resolutions.** All other resolutions of the Commission, or parts of resolutions, inconsistent with this Resolution are hereby repealed to the *extent* of such inconsistency.

Section 6. **Effective Date of Resolution.** This Resolution shall take effect immediately upon its passage.

B. Development and Finance Committee – Com. Simon, Chair

1. Approval to Consolidate the Ownership Structure of 900 Thayer into a Single Entity and to Execute a Limited Partnership Agreement with Wells Fargo Community Lending and Investment Approved to Serve as Low Income Housing Tax Credit Investor

Kayrine Brown, Chief Investment and Real Estate Officer, and Hyunsuk Choi, Senior Financial Analyst, were the presenters.

The following resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-65

RE: Approval to Consolidate the Ownership Structure of 900 Thayer into a Single Entity and to Execute a Limited Partnership Agreement with Wells Fargo Community Lending and Investment to Serve as Low Income Housing Tax Credit Investor

WHEREAS, on March 16, 2016, the Commission acquired real property commonly known as 900 Thayer located at 8240 Fenton Street, Silver Spring, MD, comprised of approximately 0.65 acres (28,526 square feet) of land (“900 Thayer” or the “Property”); and

WHEREAS, on January 22, 2018, to maximize the use of Low Income Housing Tax Credits (“LIHTCs”), HOC pursued both 9% and 4% LIHTCs for the Property and “divided” 900 Thayer into three separate condominiums with three separate owners as follows: (1) 69 mixed-income apartment units consisting of 62 Rental Assistance Demonstration (“RAD”) units and seven market rate units owned by 900 Thayer Nine Limited Partnership (“900 Thayer Nine”), which would be funded with 9% LIHTC equity proceeds; (2) 22 RAD units owned by 900 Thayer Limited Partnership (“900 Thayer LP”), which would be funded with 4% LIHTC equity proceeds and tax-exempt bonds; and (3) 33 market rate units owned by 900 Thayer Development Corporation (the “Corporation”); and

WHEREAS, HOC is the sole member of 900 Thayer Nine GP LLC, which is the general partner of 900 Thayer Nine, and HOC is the sole member of 900 Thayer GP LLC, which is the general partner of 900 Thayer LP; and

WHEREAS, on January 30, 2018, 900 Thayer Nine and 900 Thayer LP entered into separate HAP contracts and RAD Use Agreements (for 62 units and 22 units, respectively) as part of the disposition of 84 units of public housing from Holly Hall and the transfer of their rental assistance to the Property; and

WHEREAS, on December 5, 2018, the Commission approved Wells Fargo Community Lending and Investment (“Wells Fargo”) as the LIHTC syndicator for 900 Thayer and authorized the negotiation of a Limited Partnership Agreement; and

WHEREAS, upon notification that 900 Thayer Nine did not receive an allocation for 9% LIHTC, staff resubmitted an application for 4% LIHTC with Income Averaging for the entire 124-unit Property in March 2019; and

WHEREAS, because 900 Thayer LP, 900 Thayer Nine, and the Corporation are separate entities with separate assets, liabilities, and contracts the following steps must occur in order to consolidate the ownership structure into a single entity: (1) the assets and liabilities of 900 Thayer Nine and the Corporation have to be transferred to 900 Thayer LP (including loan documents and construction contracts), and (2) the RAD documentation (including HAP contracts and RAD Use Agreements) has to be consolidated to be held solely by 900 Thayer LP; and

WHEREAS, following the consolidation of the ownership structure into a single entity, staff recommends that the declaration of condominium (the “Declaration of Condominium”) created to govern the previous condominiums be terminated; and

WHEREAS, staff has negotiated the Limited Partnership Agreement and now recommends the Commission execute the Limited Partnership Agreement with Wells Fargo; and

WHEREAS, as part of the Limited Partnership Agreement, Wells Fargo has requested a Master Lease Agreement that covers the Property’s three (3) retail units, with a guarantee from HOC in the event of an operating deficit.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of 900 Thayer Nine GP, LLC, the general partner of 900 Thayer Nine Limited Partnership, acting for itself and on behalf of 900 Thayer Nine Limited Partnership, hereby authorizes the transfer of all assets and liabilities of 900 Thayer Nine Limited Partnership to 900 Thayer Limited Partnership, and at an appropriate time thereafter, cause 900 Thayer Nine GP, LLC, and 900 Thayer Nine Limited Partnership to be dissolved, and at an appropriate time thereafter to be terminated.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of 900 Thayer GP LLC, the general partner of 900 Thayer Limited Partnership, acting on behalf of itself and on behalf of 900 Thayer Limited Partnership, that it hereby:

1. Accepts the transfer of all assets and liabilities from the Corporation and 900 Thayer Nine, including loan documents and construction contracts, to 900 Thayer Limited Partnership, and approves the execution of any and all documentation required in connection therewith;
2. Approves the consolidation of the 900 Thayer Nine and 900 Thayer LP HAP contracts and RAD Use Agreements into one HAP contract and one RAD Use Agreement to be held by 900 Thayer Limited Partnership, and approves the execution of any and all documentation required in connection therewith, including without limitation, termination of the existing HAP contract or RAD Use Agreement (to the extent required);
3. Approves the termination of the Declaration of Condominium, and any and all documents required in connection therewith;
4. Approves the termination of the condominium regime so that 900 Thayer Limited Partnership is the sole owner of the Property;

5. Approves the execution of a Limited Partnership Agreement with Wells Fargo Community Lending and Investing, and any and all documents required in connection therewith; and
6. Approves entering into a Master Lease Agreement for the Property's three (3) retail units and providing a guarantee to Wells Fargo Community Lending and Investing in the event of any operating deficit for the retail units.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized, without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein including the execution of any documents related thereto.

2. Authorization to Draw on the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds

Kayrine Brown, Chief Investment and Real Estate Officer, was the presenter.

The following resolution was adopted upon a motion by Vice Chair Nelson and seconded by Chair Pro Tem Priest. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Croom, and Kelleher. Commissioner Byrd was necessarily absent and did not participate in the vote.

RESOLUTION NO.: 19-67

RE: Authorization to Draw on the PNC Bank, N.A. Line of Credit to Refund and Redeem Single Family Bonds

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the Commission has issued various series of Single Family Mortgage Revenue Bonds ("MRBs") under the Single Family Bond Resolution originally adopted on March 28, 1979, as amended, and has issued various series of Single Family Housing Revenue Bonds ("HRBs") under the Single Family Housing Bond Resolution originally adopted on November 20, 2009, as amended, a portion of which are currently outstanding; and

WHEREAS, pursuant to its authority, the Commission has utilized the practice of issuing refunding bonds in the Single Family Mortgage Purchase Program (the "Program") to recycle and extend the life of volume cap it allocates to each bond issue and/or to refinance its outstanding bond debt at lower interest rates, thereby, minimizing negative arbitrage expenses to the Program; and

WHEREAS, the ability to recycle volume cap is facilitated by reserving mortgage principal repayments and prepayments to make new mortgage loans and using the proceeds of a new bond issue to refund and redeem the prior outstanding bonds associated with the mortgage principal repayments and prepayments; and

WHEREAS, due to the Commission's extensive pipeline of anticipated multifamily projects in 2019 and the limited volume cap received annually from the Maryland Department of Housing and Community Development, existing single family volume cap already used by the Commission should be preserved to the extent possible; and

WHEREAS, the Commission has a line of credit with PNC Bank, N.A. in the total amount of \$60 million ("PNC LOC"), with an unobligated balance of approximately \$24,882,376.21, as of April 30, 2019, and is a form of debt which can be used to refund MRBs and HRBs to preserve volume cap; and

WHEREAS, the Commission may draw on the PNC LOC based on various London Interbank Offered Rates (“LIBOR”) on a taxable basis at LIBOR plus 90 basis points or tax-exempt basis at 68.5% of LIBOR plus 59 basis points; and

WHEREAS, on December 5, 2018, the Commission approved an up to \$5 million allocation on the PNC LOC for the Program for use on a revolving basis in accordance with its terms for the purpose of preserving Single Family volume cap via replacement refunding of Single Family MRBs or HRBs; and

WHEREAS, the Commission wishes to preserve its existing bond authority.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission approves a \$3 million increase to the Single Family Mortgage Purchase Program’s replacement refunding allocation from \$5 million to up to \$8 million on the \$60 million PNC Bank, N.A. Line of Credit and that funds may be drawn on the PNC LOC on a taxable basis at the 30-day LIBOR plus 90 basis points for the purpose of preserving single family volume cap.

BE IT FURTHER RESOLVED that the Single Family Mortgage Purchase Program’s use of the PNC LOC to recycle and preserve Single Family volume cap will revert to up to \$5 million on a revolving basis upon the closing of the Single Family bond issuance in fall 2019, but that the term of the draw shall not exceed 12 months.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

VI. **ITEMS REQUIRING DELIBERATION and/or ACTION**

1. **None**

Based upon this report and there being no further business to come before this session of the Commission, the open session adjourned at 6:22 p.m. and reconvened in closed session at approximately 6:47 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County’s closed session held on June 5, 2019 at approximately 5:47 p.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section(s) 3-305(b)(9) to conduct collective bargaining negotiations or consider matters that relate to the negotiations.

The meeting was closed on a motion by Vice Chair Nelson, seconded by Commissioner Croom, with Commissioners Simon, Nelson, Priest, Croom, and Kelleher unanimously voting in approval. Commissioner Byrd was necessarily absent and did not participate in the vote. The following persons were present during the closed session: Jackie Simon, Richard Y. Nelson, Jr., Roy Priest, Linda Croom, Frances Kelleher, Stacy Spann, Shauna Sorrells, Patrick Mattingly, Cornelia Kent, Aisha Memon, Eamon Lorincz, Christina Autin, Charnita Jackson, and Patrice Birdsong.

In closed session, the Commission discussed negotiations related to the Collective Bargaining Agreement between HOC and the Municipal and County Government Employees Organization. The following actions were taken:

1. With a quorum present, the Commission duly adopted Resolution 19-68AS with Commissioners Jackie Simon, Richard Y. Nelson, Jr., Roy Priest, Linda Croom, and Frances Kelleher voting in approval, which approved the Fiscal Year 2020 wage adjustment for represented staff, subject to ratification by the bargaining unit members. Commissioner Pamela Byrd was necessarily absent and did not participate in the vote.

2. With a quorum present, the Commission duly adopted Resolution 19-69AS with Commissioners Jackie Simon, Richard Y. Nelson, Jr., Roy Priest, Linda Croom, and Frances Kelleher voting in approval, which approved the Fiscal Year 2020 wage adjustment for non-represented staff, subject to the ratification of the Fiscal Year 2020 wage adjustment for the represented staff by the bargaining unit members. Commissioner Pamela Byrd was necessarily absent and did not participate in the vote.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Special Session Minutes

June 12, 2019

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted on Wednesday, June 12, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m. Those in attendance were:

Present

Jackie Simon, Chair
Roy Priest, Chair Pro Tem

Via Teleconference

Richard Y. Nelson, Vice Chair
Frances Kelleher

Absent

Linda Croom
Pamela Byrd

Also Attending (Via Teleconference)

Stacy Spann, Executive Director
Kashif Paul
Guidy Paul
Frederic Colas

Also Attending

Shauna Sorrells, Chief Operating Officer

Lynn Hayes

Aisha Memon, Acting General Council

Bonnie Hodge

I. ITEM REQUIRING DELIBERATION and/or ACTION

A. Moving to Work Ad-Hoc Committee – Commissioners Priest, Byrd, and Kelleher

1. Approval to Submit a Letter of Interest to HUD to Participate in the Moving to Work Demonstration Program

Shauna Sorrells, Chief Operating Officer, and Lynn Hayes, Director of Housing Resources, were the presenters.

Special Session
June 12, 2019
Page 2 of 2

Staff meet with Commissioners to discuss approval of Resolution 19-70SS to submit Letter of Interest to HUD to participate in the Moving to Work Demonstration Program. After lengthy discussion a motion was made by Chair Pro Tem Priest and seconded by Commissioners Kelleher to approve Resolution 19-70SS. Chair Simon and Vice Chair Nelson opposed. Commissioners Croom and Byrd were necessarily absent and did not participate in the vote. The vote was split. Resolution 19-70SS was denied.

Based upon this report and there being no further business to come before this Special Session of the Commission, a motion was made by Commissioner Kelleher, seconded by Chair Pro Tem Priest, and unanimously adopted to adjourn.

The meeting adjourned at 11:00 a.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Special Session Minutes

June 21, 2019

A Special Session of the Housing Opportunities Commission of Montgomery County was conducted on Friday, June 21, 2019 at 10400 Detrick Avenue, Kensington, Maryland beginning at 11:50 a.m. Those in attendance were:

Present

Jackie Simon, Chair
Roy Priest, Chair Pro Tem
Pamela Byrd,

Via Teleconference

Richard Y. Nelson, Vice Chair
Frances Kelleher

Absent

Linda Croom

Also Attending

Stacy Spann, Executive Director
Shauna Sorrells
Christina Autin
Vivian Benjamin
Gio Kaviladze

Aisha Memon, Acting General Council
Kayrine Brown
Zachary Marks
Eamon Lorincz
Jennifer Arrington

Patrice Birdsong, Spec. Asst. to the Commission

The Commission adjourned the open session at 11:51 a.m. and reconvened in closed session at 11:52 a.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's closed session held on June 21, 2019 at approximately 11:52 a.m. at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Sections 3-305(b)(3), 3-305(b)(6), 3-305(b)(7), and 3-305(b)(13) to consider a potential real property acquisition, discuss the marketing of public securities; obtain legal advice related to the marketing of public securities; and discuss the funding and structuring of a real estate transaction.

The meeting was closed on a motion by Chair Pro Tem Priest, and seconded by Commissioner Byrd, with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher in favor of the motion. Commissioner Croom was necessarily absent and did not participate in the vote. The following persons were present during the closed session: Jackie Simon, Roy Priest, Pamela Byrd, Stacy Spann, Aisha Memon, Shauna Sorrells, Christina Autin, Kayrine Brown, Zachary Marks, Vivian Benjamin, Eamon Lorincz, Gio Kavaladze, Jennifer Arrington, and Patrice Birdsong.

In closed session, the Commission discussed the following topics: a potential real property acquisition, the marketing of public securities, and the funding and structuring of a real estate transaction. The following actions were taken:

1. With a quorum present, the Commission duly adopted resolution 19-71^A, with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voting in favor, which approved the following actions for the Elizabeth House III transaction: the allocation of tax-exempt volume cap for the issuance of short and long-term bonds to finance the transaction and to use the bond proceeds to issue a loan to the borrower to fund development; accepting a construction loan from PNC Bank, N.A.; issuing a subordinate loan to pay for acquisition and construction costs; funding a bridge loan; prepayment to the Opportunity Housing Reserve Fund; obtaining a letter of credit to satisfy low-income housing tax credit requirements; issuance of a commitment for the permanent loan phase to be credit enhanced by FHA Risk Share Mortgage Insurance; to execute and deliver documents to effectuate interest rate hedges in the form of interest rate swaps; and the execution of any other necessary and proper documents, including guarantees, to carry out the contemplated transaction. Commissioner Croom was necessarily absent and did not participate in the vote.
2. With a quorum present, the Commission duly adopted Resolution 19-71^B, with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voting in favor, which approved drawing from the PNC Bank, N.A. Real Estate Line of Credit to complete the acquisition and construction of Elizabeth House III. Commissioner Croom was necessarily absent and did not participate in the vote.
3. With a quorum present, the Commission duly adopted Resolution 19-71^C, with Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voting in favor, which approved the issuance of 2019 Series A Multifamily Housing Development Bonds for the purpose of financing a mortgage loan to be insured under the FHA Risk-Sharing Program for the acquisition and construction of Elizabeth House III. Commissioner Croom was necessarily absent and did not participate in the vote.
4. With a quorum present, the Commission authorized the Executive Director to execute a non-binding letter of intent to acquire real property. There was no resolution for approval. Commissioners Simon, Nelson, Priest, Byrd, and Kelleher voted in favor, and Commissioner Croom was necessarily absent and did not participate in the vote.

Special Session
June 21, 2019
Page 3 of 3

Without taking any formal actions, the Commission consulted with legal counsel about matters related to the marketing of public securities.

The closed session was adjourned at 1:37 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Consent

**ACCEPTANCE OF CALENDAR YEAR
2018 CCL MULTIFAMILY LLC AUDIT**

July 10, 2019

- The Finance Division was responsible for the successful completion of the CCL Multifamily LLC (“CCL Multifamily”) Property Audit for CY’18.
- A standard unqualified audit opinion was received for CCL Multifamily from the independent certified public accounting firm who performed the audit.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

| | | | | | |
|--------------|--------|-----------------|-----------|---------|-----------|
| FROM: | Staff: | Cornelia Kent | Division: | Finance | Ext. 9754 |
| | | Eugenia Pascual | | Finance | Ext. 9478 |
| | | Claudia Wilson | | Finance | Ext. 9474 |
| | | Niketa Patel | | Finance | Ext. 9584 |

RE: Acceptance of Calendar Year 2018 CCL Multifamily LLC Audit

DATE: July 10, 2019

STATUS: Consent X

OVERALL GOAL & OBJECTIVE:

Acceptance of Calendar Year 2018 CCL Multifamily LLC Audit

BACKGROUND:

HOC is a managing member and fifty percent (50%) owner of CCL Multifamily LLC, a Maryland limited liability company, which is a partnership between HOC and a private foundation. CCL Multifamily LLC owns The Lindley and reports on a calendar year end. An annual audit is needed to satisfy the investor requirement. The December 31, 2018 audit has been finalized and has received a standard unqualified audit opinion from the independent certified public accounting firm who performed the audit.

ISSUES FOR CONSIDERATION:

Does the Commission wish to accept the Calendar Year 2018 CCL Multifamily LLC Audit?

BUDGET IMPACT:

There is no budget impact related to acceptance of the Calendar Year 2018 CCL Multifamily LLC Audit.

TIME FRAME:

The Budget, Finance and Audit Committee reviewed the request to accept the CCL Multifamily LLC CY'18 Audit at the May 24, 2019 meeting. Action is requested at the July 10, 2019 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

The Budget, Finance and Audit Committee recommends to the full Commission acceptance of the CCL Multifamily LLC CY'18 Audit.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the “Commission”) is the managing member and fifty percent (50%) owner of CCL Multifamily LLC (“CCL Multifamily”), which owns The Lindley;

WHEREAS, the calendar year annual audit for the CCL Multifamily has been completed;
and

WHEREAS, a standard unqualified audit opinion was received from the independent certified public accounting firm performing the audit for CCL Multifamily.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County accepts the CY 2018 audit for CCL Multifamily.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on Wednesday, July 10, 2019.

Patrice M. Birdsong
Special Assistant to the Commission

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Information Exchange

HOC Employees Volunteer with Montgomery County Nonprofits in Day of Service



On Thursday, June 13, 2019, HOC held its fifth annual Day of Service, where staff volunteered directly with organizations that serve HOC customers and the broader Montgomery County community. This year, more than 300 employees volunteered with 18 mission-aligned partners in the County. Like HOC, many of these organizations enlist the help of local volunteers to expand their reach into the community.

HOC employees gave their time and talents to various community organizations including A Wider Circle, Habitat for Humanity ReStores in Silver Spring and Rockville, Interfaith Works, Kensington Park Senior Living, Montgomery County Department of Parks, Montgomery County Public Schools, Montgomery County Public Libraries, Montgomery College and Project Linus. Volunteers from HOC sorted donations, cleaned interiors and exteriors, cleared trails and beautified gardens, organized books and classroom materials, led seniors in games of Bingo and performed other supportive activities that enable local nonprofit and community organizations to serve county residents.

This year, staff from the Housing Authority of Prince George's County, Maryland's Department of Housing and Community Development, and the Havre De Grace Housing Authority joined HOC in executing service projects throughout Maryland. For agencies and organizations across the state, Day of Service provides a meaningful opportunity to serve our communities. It reminds us that not one of us does this work alone – it takes committed partners and deliberate cross-sector collaboration to keep families housed and thriving. We feel fortunate to be able to make a small impact for these organizations and our shared customers and look forward to our continued partnership in service to this community.



Fatherhood Initiative Hosts Community Father's Day Event



On Saturday, June 15, 2019, HOC's Fatherhood Initiative and Montgomery County's Early Childhood Services hosted the fourth annual Day About Dads Father's Day event at Shady Grove Middle School in Gaithersburg, celebrating fathers and father figures in Montgomery County.



More than 200 individuals attended this year's event, representing a 100 percent increase in participation since HOC's program began in 2016. I had the opportunity to open the event and introduce featured speaker James Worthy of the National Responsible Fatherhood Clearinghouse, who discussed the challenges and rewards of fatherhood and offered his wisdom on being an active and supportive parent and partner. The free event featured food, games, indoor and outdoor family activities and the opportunity to engage with more than 20 government, nonprofit and other vendors offering information and resources about employment opportunities, health and wellness, co-parenting, and more. HOC's Family Self Sufficiency and HOC Academy programs were also on site recruiting participants and increasing awareness of HOC programs.

Day About Dads is one of my favorite annual events because it serves to remind us of how much fathers and father figures matter in the lives of our children and in our communities. Our Fatherhood Initiative program – which provides classes, career counseling, workforce development training and other supportive services to fathers – is just one way that we show up for fathers every day in our work at HOC.



Fatherhood Initiative Graduates 8th Cohort of Fiscal Year

On Thursday, June 20, 2019, the Fatherhood Initiative graduated its eighth cohort (Psi) of FY 2019. Eighteen fathers successfully completed the Fatherhood Initiative's multifaceted program, where participants receive comprehensive life skills training that better positions them for professional advancement and long-term financial security. The Fatherhood program supports and empowers families by connecting fathers with resources that help them achieve their fullest potential and effectively navigate parenthood. HOC celebrated the individual and collective accomplishments of the Psi cohort with a ceremony at Metro Pointe in Wheaton for graduating fathers and their families and friends.

At the close of FY 2019, HOC's Fatherhood Initiative achieved 87 percent progress toward its recruitment and program completion goals. Recruitment efforts remain strong – 31 fathers, the largest cohort to date, are already enrolled for the beginning of FY 2020. Given the strong enrollment trends and robust recruitment efforts, Fatherhood Initiative staff expect to meet their target enrollment for the next grant year ahead of schedule.

HOC Receives Grants to Support Summer STEM, Robotics Camps

In June, Housing Opportunities Community Partners (HOC) received grant awards from Montgomery County Government and the George Preston Marshall Foundation totaling \$31,181 in support of STEM activities for HOC students. The Montgomery County Community Grants Program awarded \$15,181 and the George Preston Marshall Foundation awarded \$16,000 to fund HOC's STEM Summer Day Camp Program. The grants will help bring STEM and robotics activities to more than 100 youth during a series of two-week day camps this summer.



HOC locations throughout the county will offer STEM robotics programming to students in grades 1-5. The program will run four hours a day, five days a week for two weeks, culminating in a program-wide competition. Certified public school teachers with specialties in STEM will conduct instruction and hands-on activities following the LEGO® MINDSTORMS® and WeDo curriculums and software.

In the new Young Science Explorers Summer Program, HOC Academy in collaboration with MdBio and WSSC will provide middle school youth with information and activities that demonstrate our impact on the environment. Presentations from WSSC will focus on the water cycle, the value of water, and the importance of watershed protection. The program will feature hands-on learning and an introduction to careers in water while providing students a chance to use their creativity and critical thinking skills to solve real world problems. Participants will visit and conduct experiments at wastewater treatment plants, with an emphasis on the importance of math and science in these careers.

The MdBio Learning Undeclared Young Science Explorer's Program will provide rising seventh and eighth graders with access to local STEM companies where they will tour facilities, engage in hands-on activities, and meet with professionals to ask questions about their field and potential career paths. The second half of each day will be spent participating in inquiry-based laboratory activities aligned with local, state, and national STEM curriculum standards. These activities include common bioscience techniques such as DNA separation and extraction, as well as topical themes such as alternative fuels, bioengineering, and crime scene investigation.



These summer STEM programs combine many of the indicators prescribed in the Common Core Curriculum, reinforce objectives taught in schools, and help students avoid summer slide by keeping their learning on track. We're excited to gear up for another summer of STEAM and robotics camps and look forward to the fun and enriching experiences that await our students.

Dental Day at Arcola Towers



On Thursday, June 27, 2019, HOC and other community partners hosted Dental Day at Arcola Towers. Dental Day 2019 provided up to 50 seniors, ages 65 and older, with an opportunity to address their specialty dental needs at no cost. The event targeted customers who participated in a 2017 Dental Pilot Study designed to assess the dental needs of seniors residing in Montgomery County. Through this pilot study, approximately 160 HOC customers received free dental exams and consultations. Findings from the pilot study indicated that

approximately 75 percent of the participants required follow-up care to address an emergency dental need and/or specialty treatment. However, most were unable to afford the follow-up care necessary for satisfactory dental health.

Organizations that helped bring Dental Day to HOC customers included Primary Care Coalition of Montgomery County, MCC Dental Clinic, Catholic Charities, The Mary Center, and The Coordinating Center (Wellness and Independence for Seniors at Home (WISH) Program). Primary Care Coalition received a \$100,000 grant to offer this service through the WISH program for eligible participants. Dental Day is just one way that WISH program health coaches have been working with HOC participants at HOC senior properties to promote healthy aging, aging in place, prevention of unnecessary emergency room visits and hospital readmission.

Updates and Improvements at Bauer Park

At HOC, we look for every opportunity to increase access to affordable housing in this county. At Bauer Park in Rockville, we were able to capitalize on the opportunity to increase affordability with deeper subsidies – providing immediate relief and improved units to our residents.

On July 1, Bauer Park's Rental Assistance Payment (RAP) subsidy converted to Project Based Rental Assistance (PBRA) via HUD's Rental Assistance Demonstration Component 2 program. The PBRA subsidy will assist 56 households who will pay 30 percent of their income toward rent. This new subsidy will bring significant rent relief to a portion of the property and substantially increase the property's cash flow, which will help to enable Bauer Park's upcoming comprehensive renovation.

Currently, Bauer Park's RAP contract supports 17 units, with the new conversion HOC has increased the number of units affordable to households at 30 percent AMI and below. Under the new PBRA subsidy, 39 additional units will be subsidized (in addition to the existing 17).

Despite already residing in deeply rent-restricted Section 236 units with an average rent of \$560, the 39 additional tenants that will be subsidized by PBRA will see their rent contribution decrease between \$96 and

\$379 per month, with an average decrease of \$225 per month. This represents an average decrease of 41 percent.

For all other income-eligible households at Bauer Park, HOC is in the process of applying for PBV subsidy pursuant to HUD Notice PIH 2018-02, informally known as "Low Vacancy Vouchers". The Low Vacancy Voucher subsidy, if awarded, will provide Project Based Voucher subsidy to an additional 65 units at the property.

Montgomery County Homeownership Assistance Fund Increases Access to Homeownership

On June 3, 2019, HOC opened the Montgomery County Homeownership Assistance Fund (McHAF) Program to assist qualified first-time homebuyers with downpayment and closing costs when purchasing a home in the County as their primary residence. Used in conjunction with HOC's Mortgage Purchase Program's first mortgage loan, approved applicants may access a zero-percent deferred loan of up to 40 percent of the qualifying household income for a maximum of \$25,000 to assist with downpayment and/or closing costs.

Funding for this Program was made possible by Montgomery County's Department of Housing and Community Development, which committed \$1 million from the County's Housing Initiative Fund. As of July 1, 2019, of the \$1 million in funding, HOC participating lenders have made 36 loans for an average of \$23,300 per household, utilizing approximately \$840,000 of the fund (approximately \$160,000 remains). On July 1, DHCA notified staff that an additional \$1 million in funding will likely be allocated to the Program in the coming months for FY20, keeping this much needed resource available for first-time homebuyers in Montgomery County.

We are proud to continue our partnership with the County providing homeownership tools to County residents. Our community is an exceptional place for families to live, work and grow and downpayment assistance helps people take advantage of those opportunities. At HOC, we work hard to create sustainable, connected, affordable communities for all of Montgomery County's residents and homeownership is a critical piece of that work.

Administrative and Special Session Ratifications

**RATIFICATION OF ACTION TAKEN IN SPECIAL ADMINISTRATIVE
SESSION ON**

JUNE 21, 2019:

**APPROVAL OF THE FINANCING PLAN FOR THE ELIZABETH HOUSE III
DEVELOPMENT AND AUTHORIZATION TO ISSUE LOANS, ISSUE
COMMITMENTS FOR PERMANENT FINANCING, HEDGE INTEREST RATE
RISK, AND TO ACCEPT LOANS**

JULY 10, 2019

- At a Special Administrative Session held on June 21, 2019, the Commission adopted Resolution 19-71^A in which the Commission approved the Financing Plan for Elizabeth House III and authorized the issuance of loans, commitments for permanent financing, hedging interest rate risk, acceptance of loans, and other related actions.
- Consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the June 21, 2019 Special Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 19-71^AR

RE: Approval of the Financing Plan for the Elizabeth House III Development and Authorization to Issue Loans, Issue Commitments for Permanent Financing, Hedge Interest Rate Risk, and to Accept Loans

WHEREAS, Elizabeth House III (the “Property”) is a mixed-income residential building that is planned as part of a larger mixed-use development known as Elizabeth Square;

WHEREAS, the Property with common elements and underground parking will be owned and operated by the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) in a single purpose entity known as Elizabeth House III Limited Partnership (“Borrower”);

WHEREAS, HOC is currently the sole member of EH III GP LLC (the “Managing Member”), which in turn is the sole member of the Borrower;

WHEREAS, at a Special Administrative Session duly called and held on June 21, 2019, with a quorum present, the Commission duly adopted Resolution 19-71^A, with Commissioners Simon, Nelson, Byrd, Priest, and Kelleher voting in approval, and Commissioner Croom being necessarily absent not participating in the vote;

WHEREAS, by adopting Resolution 19-71^A, the Commission authorized the following actions:

1. The approval of the Financing Plan, which includes (A) the allocation of tax-exempt volume cap for the issuance of short and long-term bonds to finance the transaction and for the Commission, as conduit lender, to use those bond proceeds to make a tax-exempt mortgage loan to Borrower, which will be subject to conversion to a permanent loan phase (“Mortgage Loan” or “Permanent Loan”), (B) accepting a construction loan from PNC Bank, N.A. (“Construction Loan”), (C) issuance of a subordinate HOC loan to the Borrower (“HOC Loan”), and (D) the funding of a bridge loan at closing by way of short-term, taxable draws on the PNC Bank, N.A. Real Estate Line of Credit (“Bridge Loan”).
2. The prepayment to the Opportunity Housing Reserve Fund of seventeen (17) years-worth of loan management fees.
3. Obtaining a letter of credit to hold the equivalent of three (3) months of operating expenses and debt service payments.
4. The issuance of a four year forward commitment for the Permanent Loan phase of the Mortgage Loan, which will be credit enhanced by the FHA Risk Share Mortgage Insurance.
5. The selection of PNC Bank, N.A. as the lender of a Construction Loan.

6. That HOC, acting on behalf of itself and on behalf of the Managing Member, the general partner of Borrower, acting for itself and on behalf of Borrower, accepts the Mortgage Loan, Permanent Loan, Construction Loan, Bridge Loan, HOC Loan, and a subordinate loan from the Department of Housing and Community Affairs of Montgomery County, Maryland, for the financing closing.
7. The execution and delivery of an International Swaps and Derivatives Association Master Agreement, Schedules, Confirmations and Credit Support Annexes, and related documents, with a qualified counterparty to mitigate against a rise in interest rates.

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 19-71^A and any action taken since June 21, 2019 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 19-71^A and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN IN SPECIAL ADMINISTRATIVE
SESSION ON**

JUNE 21, 2019:

**APPROVAL TO DRAW FROM THE PNC BANK, N.A. REAL ESTATE LINE OF
CREDIT DURING THE ACQUISITION AND CONSTRUCTION OF ELIZABETH
HOUSE III DEVELOPMENT**

JULY 10, 2019

- At a Special Administrative Session held on June 21, 2019, the Commission adopted Resolution 19-71^B in which the Commission authorized drawing on the PNC Bank, N.A. Real Estate Line of Credit to complete the acquisition and construction financing for Elizabeth House III and authorized a loan to the Borrower.
- Consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the June 21, 2019 Special Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 19-71^BR

RE: Approval to Draw from the PNC Bank, N.A. Real Estate Line of Credit During the Acquisition and Construction of the Elizabeth House III Development

WHEREAS, Elizabeth House III (the “Property”) is a mixed-income residential building that is planned as part of a larger mixed-use development known as Elizabeth Square;

WHEREAS, the Property with common elements and underground parking will be owned and operated by the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”) in a single purpose entity known as Elizabeth House III Limited Partnership (“Borrower”);

WHEREAS, HOC is currently the sole member of EH III GP LLC (the “Managing Member”), which in turn is the sole member of the Borrower;

WHEREAS, at a Special Administrative Session duly called and held on June 21, 2019, with a quorum present, the Commission duly adopted Resolution 19-71^B, with Commissioners Simon, Nelson, Byrd, Priest, and Kelleher voting in approval, and Commissioner Croom being necessarily absent not participating in the vote;

WHEREAS, by adopting Resolution 19-71^B, the Commission authorized the following actions:

1. Taxable draws on the PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) to complete the acquisition and construction financing for the Property.
2. A loan to Borrower to be funded by the RELOC.

WHEREAS, consistent with the Commission’s Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 19-71^B and any action taken since June 21, 2019 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 19-71^B and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

**RATIFICATION OF ACTION TAKEN IN SPECIAL ADMINISTRATIVE
SESSION ON**

JUNE 21, 2019:

**ADOPTION OF AN AUTHORIZING RESOLUTION FOR THE ISSUANCE OF
2019 SERIES A MULTIFAMILY HOUSING DEVELOPMENT BONDS FOR THE
FINANCING OF THE ACQUISITION AND CONSTRUCTION OF THE
ELIZABETH HOUSE III DEVELOPMENT**

JULY 10, 2019

- At a Special Administrative Session held on June 21, 2019, the Commission adopted Resolution 19-71^c in which the Commission approved the authorizing resolution for the issuance of 2019 Series A Multifamily Housing Development Bonds for financing the acquisition and construction of Elizabeth House III.
- Consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken at the June 21, 2019 Special Administrative Session to provide notice to the public under the Maryland Open Meetings Act. Further, the Commission wishes to ratify any action taken since the Administrative Session with respect to the approved transaction.

RESOLUTION: 19-71^CR

RE: Adoption of an Authorizing Resolution for the Issuance of 2019 Series A Multifamily Housing Development Bonds for the Financing of the Acquisition and Construction of the Elizabeth House III Development

WHEREAS, at a Special Administrative Session duly called and held on June 21, 2019, with a quorum present, the Commission duly adopted Resolution 19-71^C, with Commissioners Simon, Nelson, Byrd, Priest, and Kelleher voting in approval, and Commissioner Croom being necessarily absent not participating in the vote;

WHEREAS, a copy of the adopted Resolution 19-71^C is attached hereto as Exhibit A.

WHEREAS, consistent with the Commission's Amended and Restated Bylaws, the Commission wishes to ratify and affirm, in an open meeting with a quorum physically present, the action undertaken by the Commissioners in adopting Resolution 19-71^C and any action taken since June 21, 2019 to effectuate the transaction contemplated therein.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that Resolution 19-71^C and any subsequent actions taken in relation thereto, are hereby ratified and affirmed.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Exhibit A

Resolution 19-71^C

[see attached]

RESOLUTION: 2019-71^C

**Re: Adoption of an Authorizing Resolution for
The Issuance of 2019 Series A Multifamily
Housing Development Bonds for the
Financing of the Acquisition and
Construction of the Elizabeth House III
Development**

A RESOLUTION OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY AUTHORIZING THE ISSUANCE AND SALE OF A SERIES OF THE COMMISSION'S MULTIFAMILY HOUSING DEVELOPMENT BONDS 2019 SERIES A (THE "2019 A BONDS"), IN A TOTAL AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000 FOR THE PURPOSE OF THE FINANCING A MORTGAGE LOAN TO BE INSURED UNDER THE FHA RISK-SHARING PROGRAM FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ELIZABETH HOUSE III, A MULTIFAMILY RESIDENTIAL RENTAL PROJECT FOR OCCUPANCY BY PERSONS OF ELIGIBLE INCOME TO BE OWNED BY ELIZABETH HOUSE III LIMITED PARTNERSHIP; AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES INDENTURE, CERTAIN TAX-RELATED DOCUMENTS, A DISCLOSURE AGREEMENT AND ANY AND ALL RELATED DOCUMENTS; APPROVING THE PREPARATION, EXECUTION AND DISTRIBUTION OF PRELIMINARY AND FINAL OFFERING DOCUMENTS RELATING TO THE FINANCING; AUTHORIZING THE EXECUTION OF ANY OTHER DOCUMENTS NECESSARY FOR THE ISSUANCE OF THE 2019 A BONDS AND THE ACCOMPLISHMENT OF THE FINANCING PLAN DESCRIBED HEREIN; AUTHORIZING THE CHAIRMAN, VICE CHAIRMAN OR CHAIRMAN PRO TEM AND EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO PROCEED WITH THE SALE OF THE 2019 A BONDS TO WELLS FARGO SECURITIES AND PNC CAPITAL MARKETS LLC, AS CO-SENIOR MANAGERS, AND TO EXECUTE AND DELIVER A CONTRACT OF PURCHASE IN CONNECTION WITH SUCH SALE; AUTHORIZING THE EXECUTIVE DIRECTOR OR OTHER AUTHORIZED REPRESENTATIVE TO ESTABLISH THE TERMS RELATING TO THE 2019 A BONDS AND TO MAKE ONGOING DETERMINATIONS RELATING THERETO; APPOINTING THE FINANCIAL ADVISOR AND BOND COUNSEL FOR THE 2019 A BONDS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the "Act"), and authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes; and

WHEREAS, the Act declares that there exists within Montgomery County (the "County") a critical shortage of decent, safe and sanitary dwelling accommodations available to rent which "persons of eligible income" (within the meaning of the Act) can afford; and

WHEREAS, the Act empowers the Commission to make mortgage loans to qualified sponsors to provide for the construction, rehabilitation and financing of multifamily residential

housing units in the County for occupancy by persons of eligible income and to perform any other duties that the Commission considers necessary in carrying out the purposes of the Act; and

WHEREAS, the Commission, in furtherance of the purposes of the Act, has established a program (the “Program”) to provide for the financing of mortgage loans through the issuance of its multifamily housing bonds; and

WHEREAS, pursuant to the Act and the Program, the Commission entered into the Trust Indenture, dated as of November 1, 1996 (the “Trust Indenture”), by and between the Commission and U.S. Bank National Association, as successor trustee, providing for the issuance of bonds (the “Bonds”) from time to time in accordance with the provisions thereof and of any series indenture specifically relating to any such series of Bonds issued thereunder; and

WHEREAS, the proceeds received from the issuance and sale of Bonds under the Trust Indenture are used to make, purchase or finance mortgage loans (each, a “Mortgage Loan,” and collectively, the “Mortgage Loans”) or finance Mortgage Loans through the purchase of guaranteed mortgage securities; and

WHEREAS, the pledges and assignments made pursuant to the Trust Indenture and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Commission are for the equal benefit, protection and security of the owners of any and all of the Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Trust Indenture; and

WHEREAS, the Commission has determined to issue its Multifamily Housing Development Bonds, 2019 Series A (the “2019 A Bonds”) pursuant to the Trust Indenture and the Series Indenture Providing for the Issuance of Multifamily Housing Development Bonds, 2019 Series A (the “Series Indenture”), (i) to make moneys available for the acquisition, construction and equipping of a development (the “Development”), to be owned and operated by Elizabeth House III Limited Partnership (the “Borrower”), the general partner of which is wholly-controlled by the Commission, and (ii) to make a deposit to the Reserve Fund pursuant to the Trust Indenture and the Series Indenture, all in accordance with the financing plans approved by the Commission in connection with the Development on June 21, 2019 (the “Financing Plan”); and

WHEREAS, during the construction phase of the Development, the 2019 A Bonds will be secured by (i) the proceeds of the 2019 A Bonds and (ii) the proceeds of a construction loan from PNC Bank, National Association to the Borrower or other eligible funds to be periodically deposited into a collateral fund (the “Collateral Fund”) as proceeds of the 2019 A Bonds are requisitioned for costs of the Development, all pursuant to the Series Indenture; and

WHEREAS, following the construction phase of the Development and the satisfaction of certain conditions to conversion, the Mortgage Loan financed with the proceeds of the 2019 A Bonds (the “2019 A Mortgage Loan”) will be endorsed for federal insurance under the Risk-Sharing Agreement, dated September 23, 1994 (the “Risk-Sharing Agreement”), by and between

the Commission and the Secretary of the U.S. Department of Housing and Urban Development (“HUD”), pursuant to which Risk-Sharing Agreement, the Commission will reimburse HUD for its losses under the 2019 A Mortgage Loan in an amount not greater than 25% of the outstanding principal balance of the 2019 A Mortgage Loan; and

WHEREAS, in connection with the issuance of the 2019 A Bonds and the accomplishment of the Financing Plan, the Commission anticipates entering into various documents, including, but not limited to, the Series Indenture and, as hereinafter defined, the Offering Documents, the Contract of Purchase, the Tax-Related Documents, the Disclosure Agreement and certain other documents relating to the sale of the 2019 A Bonds, and the financing of the Development;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County:

1. 2019 A Bonds. The 2019 A Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$55,000,000 to carry out the purposes under the Program as described above. The 2019 A Bonds shall be designated “2019 Series A” or such additional series or subseries designations as approved by the Executive Director, in consultation with the Financial Advisor and Bond Counsel to the Commission. The 2019 A Bonds are to be issued pursuant to the terms of the Trust Indenture and the Series Indenture and shall be limited obligations of the Commission, secured by and payable solely from moneys pledged therefor under the Indenture and the Series Indenture, including the Collateral Fund and the 2019 A Mortgage Loan.

2. Approval of Financing Plan. The Commission hereby approves the Financing Plan as described above pursuant to the terms and conditions to be set forth in the documents approved hereby.

3. Series Indenture. The Chairman, the Vice Chairman, or the Chairman Pro Tem, and the Executive Director of the Commission or any authorized designee of the Executive Director are hereby authorized and directed to execute and deliver the Series Indenture in such form as shall be approved by such officers, the execution of such Series Indenture being conclusive evidence of such approval and of the approval of the Commission, and the Secretary-Treasurer of the Commission, or any other authorized officer of the Commission (an “Authorized Officer”), is hereby authorized and directed to affix the seal of the Commission to the Series Indenture and to attest the same.

4. Tax-Related Documents. The Chairman, the Vice Chairman, the Chairman Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver a Tax Regulatory Agreement and No Arbitrage Certificate and other documents (collectively, the “Tax-Related Documents”) restricting the application of the proceeds of the 2019 A Bonds and the use and occupancy of the Development in such forms as shall be prepared by Bond Counsel and approved by the Chairman, the Vice Chairman, the Chairman Pro Tem or the Executive Director, the execution of the Tax-Related Documents being conclusive evidence of such approval and of the approval of the Commission. The Chairman, the Vice Chairman, the Chairman

Pro Tem or the Executive Director of the Commission is hereby further authorized and directed to execute and deliver on behalf of the Commission Internal Revenue Service Form 8038 relating to the 2019 A Bonds as prepared by Bond Counsel.

5. Disclosure Agreement. The Commission hereby authorizes and approves the execution and delivery of a continuing disclosure agreement (the “Disclosure Agreement”) related to the 2019 A Bonds, in such form as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Disclosure Agreement constituting conclusive evidence of such officer’s approval of the Disclosure Agreement and the approval of the Commission.

6. 2019 A Mortgage Loan. The Commission hereby authorizes and approves the financing of the 2019 A Mortgage Loan with the proceeds of the 2019 A Bonds which, following the construction phase of the Development and the satisfaction of certain conditions to conversion, will be endorsed for federal insurance under the Risk-Sharing Agreement, pursuant to which the Commission will reimburse HUD for its losses under the 2019 A Mortgage Loan in an amount not greater than 25% of the outstanding principal balance of the 2019 A Mortgage Loan.

7. Offering Documents. The Commission hereby authorizes and approves the preparation and distribution of a preliminary offering document of the Commission and the preparation, execution and distribution of a final offering document (collectively, the “Offering Documents”), each relating to the 2019 A Bonds, in such forms as may be approved by the Chairman, the Vice Chairman or the Chairman Pro Tem and the Executive Director of the Commission, their execution and delivery of the Offering Documents constituting conclusive evidence of such officer’s approval of the Offering Documents and the approval of the Commission.

8. Sale of 2019 A Bonds. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to proceed with the sale of the 2019 A Bonds to Wells Fargo Securities and PNC Capital Markets LLC or such other underwriter or to any other entity as shall be in the best interest of the Commission as determined by the Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission.

9. Contract of Purchase. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is authorized to execute a contract of purchase and/or any other form of purchase agreement (the “Contract of Purchase”) in connection with the issuance, purchase and sale of the 2019 A Bonds.

10. Terms; Ongoing Determinations. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners to establish the dates, maturities, interest payment dates, denominations, terms of redemption,

registration privileges, security and other terms, and to approve the interest rates on the 2019 A Bonds, all of the foregoing to be specified in the Series Indenture. The Executive Director or other Authorized Representative of the Commission, as the case may be, is hereby authorized, without further action of or authority from the Board of Commissioners, to perform any act, to execute any documents, and is hereby authorized, from time to time during the period the 2019 A Bonds are outstanding, to make ongoing determinations, as may be required by the terms of the Series Indenture and any other documents relating to the 2019 A Bonds and the 2019 A Mortgage Loan, including, but not limited to, the giving and withholding of consents, the selection of certain providers, the determination to permit the prepayment of the 2019 A Mortgage Loan and the refunding and redemption of the 2019 A Bonds and/or other Bonds, and the Executive Director or other Authorized Representative of the Commission, as the case may be, is further authorized to execute any and all documents evidencing such determinations as may be deemed necessary and proper.

11. Other Action. The Chairman, the Vice Chairman, the Chairman Pro Tem, the Executive Director or other Authorized Representative of the Commission is hereby authorized and directed to execute and deliver any and all additional documents and instruments necessary or proper to be executed and delivered and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution relating to the 2019 A Bonds and the accomplishment of the Financing Plan.

12. Appointment of Financial Advisor and Bond Counsel. Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the 2019 A Bonds.

13. No Personal Liability. No stipulation, obligation or agreement herein contained or contained in the 2019 A Bonds, the Series Indenture, the Contract of Purchase, the Tax-Related Documents, the Offering Documents, the Disclosure Agreement, or in any other agreement or document executed on behalf of the Commission shall be deemed to be a stipulation, obligation or agreement of any Commissioner, officer, agent or employee of the Commission in his or her individual capacity, and no such Commissioner, officer, agent or employee shall be personally liable on the 2019 A Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

14. Action Approved and Confirmed. All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance of the 2019 A Bonds and the accomplishment of the Financing Plan are hereby approved, and the execution, delivery and performance of the documents and agreements authorized hereby are in all respects approved and confirmed.

15. Severability. If any provision of this Resolution shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provision


hereof or cause any other provision hereof to be invalid, inoperative or unenforceable to any extent whatsoever.

16. *Effective Date.* This Resolution shall take effect immediately.

The foregoing resolution was adopted upon a motion by Chair Pro Tem Priest and seconded by Vice Chair Nelson. Affirmative votes were cast by Commissioners Simon, Nelson, Priest, Byrd, and Kelleher. Commissioner Croom was necessarily absent and did not participate in the vote.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a special meeting conducted on June 21, 2019.




Patrice M. Birdsong
Special Assistant to the Commission

Committee Reports and Recommendations for Action

Budget, Finance & Audit Committee

**APPROVAL TO RENEW THE PRIMARY AUDIT CONTRACT
WITH CLIFTONLARSONALLEN LLP
FOR ONE ADDITIONAL YEAR**

July 10, 2019

- On October 3, 2018 the Commission approved a contract renewal for one-year with CliftonLarsonAllen LLP (“CLA”) to perform the Agency’s financial audit for fiscal year 2019. The current contract expires December 31, 2019. There is still a one-year renewal available under the original contract.
- CLA has been the Agency auditor for 15 years. HOC has had three different audit partners and several different audit managers throughout the 15 years.
- Their review includes the Single Audit Report, the main agency audit, six bond indenture audits and an information technology review.
- CLA’s depth of audit knowledge, as well as their level of commitment, availability and access is exceptional.
- HOC is requesting a contract renewal with CLA for the one remaining year for the FY 2020 audit. This is the final renewal available under this contract.

HOC requested a quote from CLA to provide audit services for the FY2020 audit. CLA submitted a proposal for FY2020. The audit fee for FY2020 was held constant with the FY2019 audit fee of \$239,500.

Staff believes CLA offers the Agency a solid combination of government and real estate expertise and will continue to provide high quality and efficient audit services. CLA has met all required auditing and reporting deadlines and provided technical assistance for no additional fees.

Auditors assigned to the engagement have been knowledgeable about the Agency's operations and are capable of providing suggestions and recommendations on improving internal controls and workflows.

ISSUES FOR CONSIDERATION:

Does the Commission wish to renew the primary audit contract with CliftonLarsonAllen LLP for the remaining one (1) year term?

PRINCIPALS:

CliftonLarsonAllen LLP
HOC

BUDGET IMPACT:

There is no budget impact for FY2020. The cost for the FY2020 Audit will be incorporated in the FY2021 Agency Budget.

TIME FRAME:

Action is requested at the July 10, 2019 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

HOC staff recommends to the full Commission approval of the renewal of the primary audit contract with CliftonLarsonAllen LLP for the remaining one-year term. The contract expiration date is December 31, 2020.

RESOLUTION NO.: 19-73

RE: Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP for one additional year

WHEREAS, on October 3, 2018 the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) renewed the primary audit contract with CliftonLarsonAllen LLP (“CLA”) to complete HOC’s financial audit for fiscal year 2019; (the “Contract”); and

WHEREAS, the Contract expires as of December 31, 2019; and

WHEREAS, the Contract provides for one additional one-year renewal; and

WHEREAS, staff has determined it would be beneficial to renew the Contract with CLA for the remaining one (1) year term available in order to complete the FY 2020 audit.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby approves renewing the primary audit contract with CliftonLarsonAllen LLP for the remaining one (1) year term available, with an expiration date of December 31, 2020.

I HEREBY CERTIFY that the forgoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on Wednesday, July 10, 2019.

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**Patrice M. Birdsong
Special Assistant to the Commission**

Development and Finance Committee

**APPROVAL OF THE PERMANENT FINANCING PLAN FOR GLENMONT CROSSING;
APPROVAL TO FORM A NEW OWNERSHIP ENTITY IN WHICH TO TRANSFER THE ASSET
AND APPROVAL TO EXECUTE AN OPERATING AGREEMENT; AUTHORIZATION TO ISSUE A
FINANCING COMMITMENT; AND, AUTHORIZATION TO ENTER INTO A PARTICIPATION
AGREEMENT WITH THE FEDERAL FINANCING BANK TO FUND A PERMANENT LOAN**

SILVER SPRING

STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
JENNIFER H. ARRINGTON
VICTORIA DIXON
LEN VILICIC
KATHRYN HOLLISTER**

July 10, 2019



EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

Glenmont Crossing Development Corporation (the “Corporation”), a wholly owned instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC”), purchased **Glenmont Crossing** (the “Property”) on December 20, 2012, a 97-unit, mixed-income townhome rental community located in Silver Spring, just south of the Georgia Avenue and Randolph Road intersection. On October 3, 2012, the Commission approved acquiring the Property pursuant to its Right of First Refusal, and on December 4, 2012, the Commission approved a financing plan which authorized the creation of the Corporation and approved the assumption of its Fannie Mae loan, through CBRE Multifamily Capital, Inc. (“CBRE”).



The Property was purchased for \$15.7 million with total transaction costs of approximately \$16.7 million. Sources included the aforementioned CBRE debt, a supplemental loan from CBRE, a loan from HOC’s Opportunity Housing Reserve Fund (OHRF), and a Montgomery County, Maryland (the “County”) loan funded via a Community Development Block Grant (CDBG).

Considering the CBRE loans mature on November 1, 2019, staff has reviewed the Property’s operational performance, conducted a Property Condition Needs Assessment (PCNA), obtained an appraisal, and received term sheets for permanent financing. Having concluded due diligence and underwriting, staff proposes to create a new special purpose entity (i.e. a limited liability corporation) to acquire the Property from the Corporation, and permanently finance the Property through the combined use of proceeds from the issuance of an up to \$14.1 million permanent, taxable loan funded by the Federal Financing Bank (“FFB”) with mortgage insurance provided by FHA in accordance with its Risk Sharing Agreement with HOC (“FHA/FFB Financing” or “Permanent Loan”); assumption of the Corporation’s \$2,850,000 subordinate County CDBG loan; and, the Property’s \$694,796 in existing reserves and \$851,000 in restricted cash on hand (collectively the “Permanent Financing Plan”). The FHA/FFB Financing requires that HOC assume 50% of the risk of the financing. This Property is anticipated to support the permanent loan with a 1.34:1.00 Debt Service Coverage Ratio (“DSCR”). Closing is anticipated to occur by October 15, 2019.

Therefore, staff recommends that the Commission accept the recommendation of the Development and Finance Committee and:

- 1) Approve the Permanent Financing Plan for the Glenmont Crossing transaction.
- 2) Approve the formation of a new limited liability corporation, named “Glenmont Crossing, LLC”, to acquire the Property and the execution of an operating agreement.
- 3) Approval of the newly formed ownership entity to assume the balance on the County CDBG loan in accordance with the County Note, dated April 17, 2013.
- 4) Authorize the issuance of a Financing Commitment to Glenmont Crossing, LLC for an FFB/FHA 35-year, taxable mortgage loan, insured by FHA Risk Share program in an amount of up to \$14.1 million, with HOC assuming 50% of the risk.
- 5) Authorize entering into a Participation Agreement with FFB to fund the permanent loan.

EXECUTIVE SUMMARY

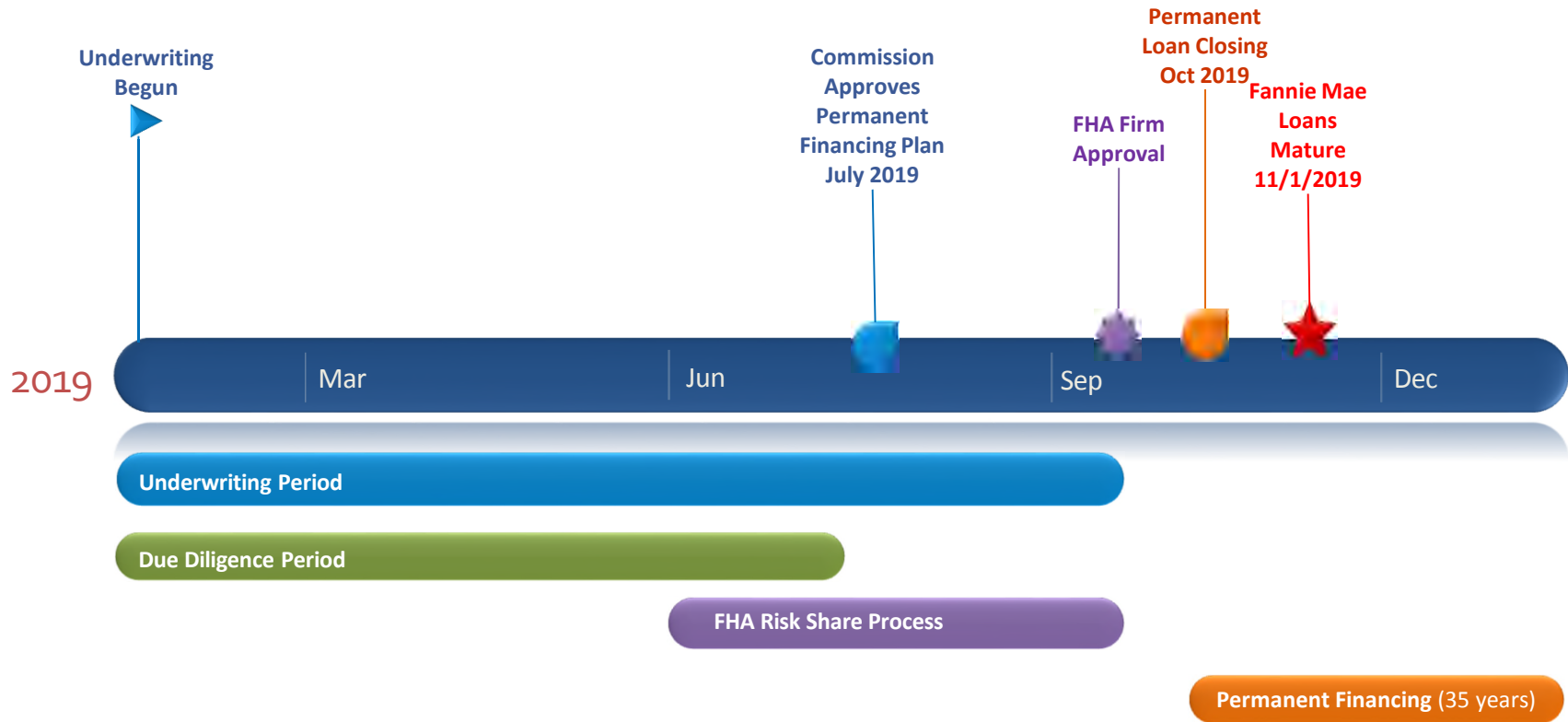
| Borrower | Glenmont Crossing Limited Liability Company | |
|---|---|--------------|
| Units/Affordability | 97 Townhomes / 52% Restricted | |
| | 20 | ≤ 50% AMI |
| | 30 | ≤ 80% AMI |
| | 37 | Unrestricted |
| Permanent First Mortgage (up to) | \$14,100,000 | |
| Permanent Source/Credit Enhancement | Federal Financing Bank / FHA Risk Share (50%) | |
| Permanent Interest Rate (est.) | 3.72% (includes 50bps cushion) | |
| Amortization | 35 Years | |
| Debt Service Coverage Ratio (target) ¹ | 1.34 | |
| County CDBG Loan (assumed from previous owner) | \$2,850,000 | |
| Restricted Cash at Property | \$851,038 | |
| Reserves (assumed from previous owner) | \$694,796 | |
| County Participation | Payment-in Lieu of Taxes (PILOT) Agreement (assignment to LLC required by County) Estimated Value of PILOT \$154,731 in CY 2020 | |

¹The Property's debt is sized at 1.34:1.00 DSCR to allow for additional Public Purpose in the future, should the need arise.

COMMISSION/OWNERSHIP RESOLUTIONS

| Date | Res. | Description of Commission Resolutions |
|------------------|--|--|
| October 3, 2012 | 12-66 | Authorization to (a) exercise HOC’s Right of First Refusal to acquire the Properties pursuant to Article 53A of the Montgomery County Code, (b) assume existing Fannie Mae debt totaling \$17.25 million and obtain an additional \$3.5 million from Fannie Mae, (c) execute applicable documents, (d) form a special purpose entity, (e) use up to \$3.5 million from the OHRF to fund the deposit and predevelopment expenses. |
| December 5, 2012 | 12-01 12-94 12-100 12-101A 12-101B | <p>HOC approved to (a) form two Development Corporation entities to own the Properties, (b) borrow up to \$1.826 million from HOC’s FHA Risk Sharing Reserves to fund a supplemental loan to complete acquisition of the Properties, amortizing over 30 years at an interest rate based on the 7 year US Treasury plus 315 basis points, (c) accept a \$6.5 million loan from DHCA secured by a pledge of HOC’s cash flow from the Properties, and (d) loan the proceeds of such DHCA loan to the Properties.</p> <p>In addition, the Development Corporations approved to (i) purchase the Properties, (ii) accept existing Fannie Mae debt of \$17,202,292 and a supplemental loan of \$2,167,000, HOC loans of up to \$3,500,000 from the OHRF, and unsecured loans of \$6,500,000 (as DHCA pass-through), (iii) assume existing contracts, and (iv) enter into Payment In Lieu of Taxes (“PILOT”) with the County.</p> |

FINANCING SCHEDULE



PROPERTY OVERVIEW

Location 2309 Shorefield Road, Silver Spring

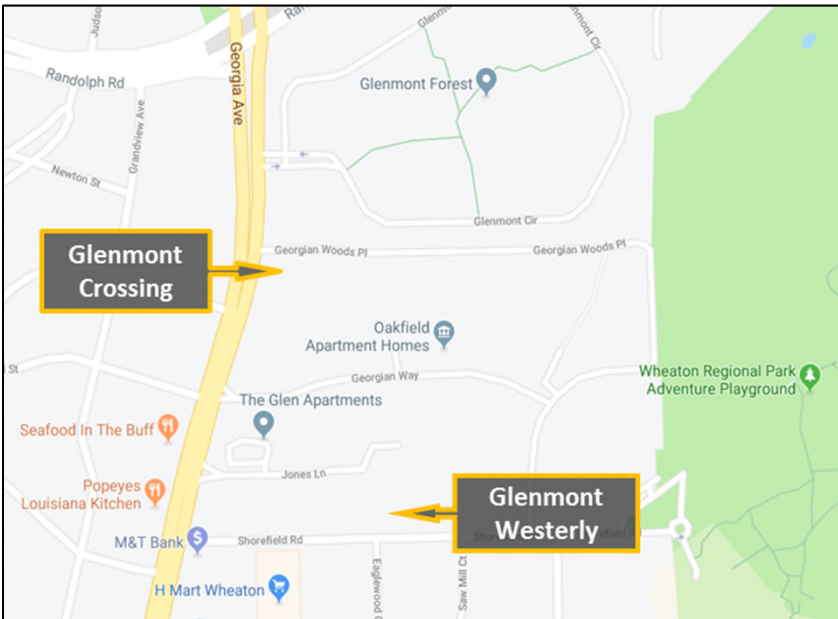
Current Owner Glenmont Crossing Development Corporation

Property Manager Edgewood Management Corporation

Total Units 97 townhome units

Occupancy 98% (6/1/19)

| Unit Mix/Rents | 50% AMI | | 80% AMI | | Market | |
|----------------|---------|-----------|---------|-----------|---------|-----------|
| | Rent | Count | Rent | Count | Rent | Count |
| 2 BR/1.5 BA | \$1,118 | 7 | \$1,435 | 7 | \$1,540 | 7 |
| 3 BR/2.5 BA | \$1,247 | 13 | \$1,778 | 23 | \$1,868 | 40 |
| Total | | 20 | | 30 | | 47 |



Public Purpose

Glenmont Crossing is a mixed income community with units currently restricted for households earning 50% and 80% AMI (20 and 30 units, respectively).

Amenities

On-site children's playground. Neighborhood amenities include the Wheaton Regional Park, grocery anchored shopping centers (H Mart and Shoppers), various restaurants and services, with additional connectivity via the Glenmont WMATA Metro Station (Red Line).

Planned Work

Approximately \$2.5 million or \$26,009 per unit from financing proceeds will be set aside at closing to contribute to the replacement reserve and complete immediate and short-term repairs.

PERMANENT FINANCING PLAN

The goals of the Permanent Financing Plan are for the Property to maximize loan proceeds to retire existing debt with CBRE, repay all or a portion of the remaining debt, fund immediate and short-term repairs highlighted in the PCNA, increase the affordability if feasible, and establish a new Replacement Reserve account.

Below is Glenmont Crossing’s existing debt and the anticipated repayments at closing. The County CDBG loan is a 35-year Note with payments commencing in 2029 and shall remain in the transaction. Any remaining debt will be assumed by the new borrower, Glenmont Crossing Limited Liability Company (“Borrower”):

| Debt Outstanding | Amount | Anticipated Payment | |
|------------------------|-------------------|---------------------|------------------|
| | | at Closing | Balance Due |
| CBRE Fannie Mae Loan | 8,595,596 | (8,595,596) | - |
| CBRE Supplemental Loan | 1,902,005 | (1,902,005) | - |
| HOC OHRF Loan | 2,023,400 | (2,023,400) | - |
| County CDBG Loan | 2,850,000 | - | 2,850,000 |
| Totals | 15,371,001 | (12,521,001) | 2,850,000 |

Below are the immediate and short-term repairs highlighted in the Property’s PCNA, which is \$9,393 per unit:

| Location | | Immediate Recommended Work | | Short-Term Recommended Work | |
|--------------------|----------------|--|----------------|---|--|
| | | | | | |
| Site Improvements | 21,600 | sidewalk repairs; removal of dead tree limbs | 102,468 | mill and overlay payment; replace soil where run-off occurred | roof replacement; repair/repoint brick façade; repaint exterior trim; repair masonry walls; replace retaining walls; repair mechanical room interiors; recaulk windows/doors |
| Building Envelope | 3,600 | wood deck repairs | 523,667 | | |
| Building Interiors | 23,280 | replace drywall at mechanical closets | 7,800 | | repair kitchen cabinets/floors |
| Building Systems | 228,661 | clean lint ducts; replace H/W heaters; replace smoke detectors | | | |
| | 277,141 | Total Immediate Work | 633,935 | Total Short-Term Work | |

Prepayment of the FFB/FHA mortgage will be prohibited for the first 10 years. Therefore, based on a 12-year Replacement Reserve schedule and estimated annual contributions of \$750 per unit, the underwriting requires that an additional deposit to the Replacement Reserve account of \$1,520,728 or \$15,678 per unit be made.

Altogether and at closing of the transaction, the Replacement Reserve account will be funded with \$2,552,912 or \$26,009 per unit to complete immediate, near term, and turnover repairs over the next 12 years.



PERMANENT FINANCING PLAN

| | Sources | Amount | Per Unit |
|----|------------------------------|----------------------|-------------------|
| a) | Permanent Mortgage Loan | \$ 14,026,700 | \$ 144,605 |
| b) | County CDBG Loan | \$ 2,850,000 | \$ 29,381 |
| c) | Restricted Cash at Property | \$ 851,038 | \$ 8,774 |
| d) | Existing Replacement Reserve | \$ 118,761 | \$ 1,224 |
| d) | Existing Renovation Escrow | \$ 296,347 | \$ 3,055 |
| d) | Existing Operating Reserve | \$ 81,164 | \$ 837 |
| d) | Existing Mortgage Escrow | \$ 198,524 | \$ 2,047 |
| | Total Sources | \$ 18,422,534 | \$ 189,923 |

| | Uses | Amount | Per Unit |
|--|--------------------------------|----------------------|-------------------|
| | Fannie Mae Loans | \$ 10,497,601 | \$ 108,223 |
| | County CDBG Loan | \$ 2,850,000 | \$ 29,381 |
| | HOC OHRF Loan | \$ 2,023,400 | \$ 20,860 |
| | Immediate & Short-Term Repairs | \$ 1,002,183 | \$ 10,332 |
| | Initial Replacement Reserves | \$ 1,520,728 | \$ 15,678 |
| | Financing & Legal Costs | \$ 506,163 | \$ 5,218 |
| | Due Diligence Costs | \$ 22,459 | \$ 232 |
| | Total | \$ 18,422,534 | \$ 189,923 |

The Glenmont Crossing Permanent Financing Plan includes the following sources, which will be used to repay all existing CBRE Fannie Mae and HOC OHRF debt, set aside funds for repairs and replacement reserves, reimburse due diligence expenses, and other financing/closing related costs:

- a) An FFB 35-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14.1 million, sized at 1.34 DSCR to allow for deeper Public Purpose in the future;
- b) The Property's County CDBG loan will remain in the transaction, as a subordinate loan and repaid in accordance with the original loan terms;
- c) Excess operating cash of \$851,038 that has been restricted to the Property annually each budget year; and,
- d) The existing reserves, totaling \$694,796 were requirements of CBRE Fannie Mae, will be released upon repayment of its loan, and will be used to fund immediate and short-term repairs.

PERMANENT FINANCING COMPARISON

| | Taxable FHA/FFB Loan | Tax-Exempt Bond Loan | Fannie Mae Loan |
|---|-------------------------|-------------------------|--------------------|
| Amount | \$14,026,700 | \$12,786,400 | \$12,491,500 |
| Term | 35 | 35 | 20 |
| Amortization | 35 | 35 | 30 |
| Base Interest Rate | 2.58% | 3.270% | 2.070% |
| MIP | 0.25% | 0.25% | |
| Custodian Fee | 0.02% | 0.03% | |
| Loan Management Fee | 0.36% | 0.36% | |
| Cushion | 0.50% | 0.50% | 1.94% |
| All-In Rate | 3.72% | 4.41% | 4.01% |
| Stabilized Operations | | | |
| Stabilized NOI | \$960,116 | \$960,116 | \$960,116 |
| Annual Debt Service | \$716,880 | \$717,527 | \$716,500 |
| DSCR | 1.34 | 1.34 | 1.34 |
| Total Interest Payments (10 years) | \$4,284,585 | \$4,758,269 | \$4,818,271 |
| FFB Interest Savings (over 10 years) | (\$473,684) | | |
| Estimated Financing Costs | | | |
| Cost of Issuance | \$115,240 | \$255,728 | \$249,830 |
| Upfront MIP | \$35,067 | \$35,067 | |
| Financing Fee | <u>\$280,534</u> | <u>\$255,728</u> | <u>\$97,500</u> |
| Total Costs of Financing | \$430,841 | \$546,523 | \$347,330 |
| FFB Financing Cost Savings | (\$115,682) | | |
| FFB Net Savings or Income | (\$589,366) | | |

Staff has evaluated three options for funding of the first mortgage: (a) a loan from FFB; (b) use of traditional tax-exempt governmental bonds; and, (c) CBRE Fannie Mae debt. Both the bonds and FFB loans would be backed by FHA Risk Share mortgage insurance. The analysis concluded the following:

- Property operations will support a larger loan at the lower FFB interest rate, resulting in additional loan proceeds of at least approximately \$1.24 million. The debt sizing is subject to satisfying a 1.34:1.00 DSCR.
- An FHA/FFB Financing would provide a lower interest rate compared to a Tax-Exempt Bond Loan or Fannie Mae debt, resulting in savings of approximately \$589,366 over 10 years at least.
- CBRE, as DUS Lender for Fannie Mae, could not quote a longer term or amortization. In addition, while the Fannie Mae product's DSCR requirement is 1.25, proceeds are further constrained when applying the higher DSCR of 1.34. Nevertheless, the Fannie Mae mortgage proceeds at 1.25 or 1.34 DSCR with a 30-year amortization are considerably constrained, causing its term sheet to be uncompetitive.

STABILIZED PRO FORMA

| Stabilized Proforma | HOC Budget CY 2020 | Underwritten CY 2020 | Variance | Underwritten Per Unit \$ |
|--|-----------------------|-------------------------|--------------------|-----------------------------|
| Effective Gross Income (EGI) | \$1,955,309 | \$1,817,778 | (\$137,531) | \$18,740 |
| Operating Expenses | \$851,265 | \$857,662 | \$6,397 | \$8,842 |
| Replacement Reserves Contribution | \$58,200 | \$48,500 | (\$9,700) | \$500 |
| Net Operating Income (NOI) | \$1,104,044 | \$960,116 | (\$143,928) | \$9,898 |
| Debt Service | \$828,905 | \$716,728 | (\$112,177) | \$7,389 |
| Additional Replacement Reserves | | \$24,250 | \$24,250 | \$250 |
| Cash Flow Before Distributions | \$275,139 | \$219,138 | (\$56,001) | \$2,259 |
| Debt Service Coverage Ratio ¹ | 1.33 | 1.34 | | |

¹DSCR is calculated before the additional Replacement Reserves contribution.

- The Development and Finance Committee requested staff to consider adding steeper affordability at the Property with the Permanent Financing. Please note that the transaction is sized to allow for this in the future, should the need arise.
- Historically, the Property has maintained an average occupancy of 96.1% over the last three (3) years; however, the Property has been underwritten conservatively assuming a 5% vacancy and 1.5% for concessions and bad debt. The Property's 2020 budget was approved with a 2.4% vacancy and 1.1% of concessions and bad debt, causing a variance of \$137,531 in EGI.
- The underwritten stabilized pro forma is based upon the average of the last two (2) years of actual operations, and assume rent and expense annual growth rates of 2% and 3%, respectively.
- Annual replacement reserves contributions in conformance with its permanent, Risk Share mortgage will be \$500 per unit with an additional \$250 per unit set aside after debt service. This is an increase of \$150 per unit, annually, in comparison to budget. The Property currently benefits from a 100% Payment in Lieu of Taxes ("PILOT") agreement from Montgomery County. Staff will request an assignment of the existing PILOT to the new Borrower, given that the new Borrower will continue to be wholly controlled by the Commission and the Property's public purpose will remain unchanged.
- Subject to interest rate movements, staff anticipates that the Property will support a loan of up to \$14.1 million with a DSCR of 1.34. Sizing is based on an estimated interest rate of 3.72% (including MIP, LMF, and a 50bps cushion).

SUMMARY AND RECOMMENDATIONS

ISSUES FOR CONSIDERATION

Does the Commission wish to grant its:

- 1) Approval of a Permanent Financing Plan for the Glenmont Crossing transaction, which includes proceeds from the issuance of an up to \$14.1 million permanent, taxable loan from the FFB with mortgage insurance provided by FHA in accordance with its Risk Sharing Agreement with HOC; the Corporation's \$2,850,000 subordinate County CDBG loan to be assumed by the new borrower; and, the Property's \$694,796 in existing reserves and \$851,000 in restricted cash on hand?
- 2) Approval to form a new limited liability corporation, named "Glenmont Crossing, LLC", to acquire the Property, and execute an operating agreement?
- 3) Approval of the newly formed ownership entity to assume the balance on the County CDBG loan in accordance with the County Note, dated April 17, 2013?
- 4) Authorization for HOC to issue a Financing Commitment to Glenmont Crossing, LLC for an FFB 35-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14.1 million with HOC assuming 50% of the risk?
- 5) Authorization to enter into a Participation Agreement with FFB to fund the permanent loan?

TIME FRAME

Action at the July 10, 2019 meeting of the Commission.

FISCAL/BUDGET IMPACT

- The FY20 budget assumes net cash flow of \$275,139. Based upon current underwriting, it is anticipated that there will be a \$56,001 negative impact to the FY20 net cash flow.
- The FY20 budget currently projects a \$408,000 Commitment Fee and annual Loan Management Fee of \$34,500 to be collected for this transaction. Current underwriting of the transaction projects collection of a \$280,534 Commitment Fee and a \$35,067 annual Loan Management Fee, which combined are \$126,899 lower than budgeted for FY20.
- The FHA/FFB Financing will raise enough proceeds to return all HOC OHRF monies (\$2,023,400) to the Commission.

COMMITTEE RECOMMENDATION

On June 21, 2019, the Development and Finance Committee considered this request and it unanimously approved the request for recommendation to the Commission.

The Committee further encouraged staff to review the possibility of increasing the affordability at the property. Upon completion of that review, staff herein proposes increasing the Debt Service Coverage Ratio of the Permanent Loan from 1.20 to 1.34, which will enable to Property to increase the affordability at the Property in the future

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development & Finance Committee and grant its:

- 1) Approval of a Permanent Financing Plan for the Glenmont Crossing transaction, which includes proceeds from the issuance of an up to \$14.1 million permanent, taxable loan from the FFB with credit enhancement by FHA under its Risk Sharing Agreement with HOC; the Corporation's \$2,850,000 subordinate County CDBG loan to be assumed by the new borrower; and, the Property's \$694,796 in existing reserves and \$851,000 in restricted cash on hand.
- 2) Approval to form a new limited liability corporation, named "Glenmont Crossing, LLC", to acquire the Property and execute an operating agreement.
- 3) Approval of the newly formed ownership entity to assume the remaining balance on the County CDBG loan in accordance with the County Note, dated April 17, 2013.
- 4) Authorization for HOC to issue a Financing Commitment to Glenmont Crossing, LLC for an FFB 40-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14.1 million with HOC assuming 50% of the risk.
- 5) Authorization to enter into a Participation Agreement with FFB to fund the permanent loan.

RESOLUTION No.:19-74

RE: Approval of a Permanent Financing Plan for Glenmont Crossing; Approval to Form New Ownership Entity in which to Transfer the Asset and Approval to Execute an Operating Agreement; Authorization to Issue Financing Commitment; and, Authorization to Enter into a Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, is authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of multifamily rental housing properties for persons of eligible income which provide a public purpose; and

WHEREAS, on December 4, 2012, the Commission approved a Financing Plan for the purchase of Glenmont Crossing, a community consisting of 97 units in Silver Spring, Maryland (the “Property”), which was acquired on December 4, 2012 by Glenmont Crossing Development Corporation (the “Corporation”), a wholly controlled corporate instrumentality of HOC, through the assumption of a CBRE Multifamily Capital, Inc. (“CBRE”) loan backed by Fannie Mae (“Fannie Mae Loan”), a CBRE Supplemental Loan (“CBRE Loan”), a Montgomery County, Maryland Community Development Block Grant Fund loan (“CDBG Loan”), and a loan from HOC’s Opportunity Housing Reserve Fund (OHRF); and

WHEREAS, on November 1, 2019, the Fannie Mae and CBRE Loans mature, and in preparation of those maturities, staff has reviewed the Property’s operational performance, conducted a Property Condition Needs Assessment, obtained an appraisal, and received term sheets for permanent financing; and

WHEREAS, staff has developed a Permanent Financing Plan that will maximize the amount of financing to provide funds to retire the Fannie Mae Loan, repay most of the Property’s existing debt, and fund approximately \$2.5 million (or \$26,009 per unit) in order to fund the Replacement for Reserve account for immediate, near term and turn over repairs at the Property over the next 12 years; and

WHEREAS, the Permanent Financing Plan includes: (1) the creation of a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the “SPE”) for the purpose of acquiring the Property; (2) a Federal Financing Bank, 35-year taxable loan, with mortgage insurance provided by the FHA Risk Share program in an amount not to exceed \$14,100,000 (“FFB/FHA Financing or “Permanent Loan”); (3) assumption of the Corporation’s remaining \$2,850,000 subordinate CDBG Loan; and, (4) assumption of the Property’s approximate \$694,796 in existing reserves and \$851,038 in restricted cash (collectively the “Permanent Financing Plan”); and

WHEREAS, the Property’s public purpose shall include 20% of units (or 20 units) for households earning less than or equal to 50% of the Washington, DC-MD-VA Statistical Area Median Income (“AMI”)AMI, and 30% of units (or 30 units) for households earning less than or equal to 80% AMI.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery approves the following:

1. The Property's Permanent Financing Plan, as described herein, including the creation of the SPE and execution of an Operating Agreement;
2. Authorization for HOC to issue a Financing Commitment to the SPE for an FFB/FHA 35-year, taxable mortgage loan, insured by FHA Risk Share mortgage program in an amount up to \$14.1 million with HOC assuming 50% of the risk;
3. Authorization to enter into a Participation Agreement with FFB to fund the Permanent Loan; and

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of the SPE, as its sole member, approves the following:

1. Assuming the following accounts and balances at Permanent Loan closing: the remaining balance on the CDBG Loan (approximately \$2,850,000) in accordance with the County Note, dated April 17, 2013; the existing Property's reserves totaling \$694,796; and, the existing restricted cash at the Property totaling \$851,038;
2. Accepting the transfer of the Property from the Corporation at cost; and
3. Accepting the Financing Commitment from HOC.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission Montgomery County authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

RESOLUTION No.:19-74A

RE: Approval of a Permanent Financing Plan for Glenmont Crossing; Approval to Form New Ownership Entity in which to Transfer the Asset and Approval to Execute an Operating Agreement; Authorization to Issue Financing Commitment; and, Authorization to Enter into a Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, is authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of multifamily rental housing properties for persons of eligible income which provide a public purpose; and

WHEREAS, on December 4, 2012, the Commission approved a Financing Plan for the purchase of Glenmont Crossing, a community consisting of 97 units in Silver Spring, Maryland (the “Property”), which was acquired on December 4, 2012 by Glenmont Crossing Development Corporation (the “Corporation”), a wholly controlled corporate instrumentality of HOC, through the assumption of a CBRE Multifamily Capital, Inc. (“CBRE”) loan backed by Fannie Mae (“Fannie Mae Loan”), a CBRE Supplemental Loan (“CBRE Loan”), a Montgomery County, Maryland Community Development Block Grant Fund loan (“CDBG Loan”), and a loan from HOC’s Opportunity Housing Reserve Fund (OHRF); and

WHEREAS, on November 1, 2019, the Fannie Mae and CBRE Loans mature, and in preparation of those maturities, staff has reviewed the Property’s operational performance, conducted a Property Condition Needs Assessment, obtained an appraisal, and received term sheets for permanent financing; and

WHEREAS, staff has developed a Permanent Financing Plan that will maximize the amount of financing to provide funds to retire the Fannie Mae Loan, repay most of the Property’s existing debt, and fund approximately \$2.5 million (or \$26,009 per unit) in order to fund the Replacement for Reserve account for immediate, near term and turn over repairs at the Property over the next 12 years; and

WHEREAS, the Permanent Financing Plan includes: (1) the creation of a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the “SPE”) for the purpose of acquiring the Property; (2) a Federal Financing Bank, 35-year taxable loan, with mortgage insurance provided by the FHA Risk Share program in an amount not to exceed \$14,100,000 (“FFB/FHA Financing or “Permanent Loan”); (3) assumption of the Corporation’s remaining \$2,850,000 subordinate CDBG Loan; and, (4) assumption of the Property’s approximate \$694,796 in existing reserves and \$851,038 in restricted cash (collectively the “Permanent Financing Plan”); and

WHEREAS, the Property’s public purpose shall include 20% of units (or 20 units) for households earning less than or equal to 50% of the Washington, DC-MD-VA Statistical Area Median Income (“AMI”)AMI, and 30% of units (or 30 units) for households earning less than or equal to 80% AMI.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery approves the following:

1. The Property's Permanent Financing Plan, as described herein, including the creation of the SPE and execution of an Operating Agreement;
2. Authorization for HOC to issue a Financing Commitment to the SPE for an FFB/FHA 35-year, taxable mortgage loan, insured by FHA Risk Share mortgage program in an amount up to \$14.1 million with HOC assuming 50% of the risk;
3. Authorization to enter into a Participation Agreement with FFB to fund the Permanent Loan; and

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of the SPE, as its sole member, approves the following:

1. Assuming the following accounts and balances at Permanent Loan closing: the remaining balance on the CDBG Loan (approximately \$2,850,000) in accordance with the County Note, dated April 17, 2013; the existing Property's reserves totaling \$694,796; and, the existing restricted cash at the Property totaling \$851,038;
2. Accepting the transfer of the Property from the Corporation at cost; and
3. Accepting the Financing Commitment from HOC.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission Montgomery County authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on July 10, 2019.

S
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A
L

Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL OF THE PERMANENT FINANCING PLAN FOR GLENMONT WESTERLY;
APPROVAL TO FORM A NEW OWNERSHIP ENTITY IN WHICH TO TRANSFER THE ASSET
AND APPROVAL TO EXECUTE AN OPERATING AGREEMENT; AUTHORIZATION TO ISSUE A
FINANCING COMMITMENT; AND, AUTHORIZATION TO ENTER INTO A PARTICIPATION
AGREEMENT WITH THE FEDERAL FINANCING BANK TO FUND A PERMANENT LOAN**

SILVER SPRING

STACY L. SPANN, EXECUTIVE DIRECTOR

**KAYRINE V. BROWN
JENNIFER H. ARRINGTON
VICTORIA DIXON
LEN VILICIC
KATHRYN HOLLISTER**

July 10, 2019



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EXECUTIVE SUMMARY

Glenmont Westerly Development Corporation (the “Corporation”), a wholly owned instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC”), purchased **Glenmont Westerly** (the “Property”) on December 20, 2012, a 102-unit, mixed-income garden apartment community located in Silver Spring, just south of the Georgia Avenue and Randolph Road intersection. On October 3, 2012, the Commission approved acquiring the Property pursuant to its Right of First Refusal, and on December 4, 2012, the Commission approved a financing plan which authorized the creation of the Corporation and approved the assumption of its Fannie Mae loan, through CBRE Multifamily Capital, Inc. (“CBRE”).

The Property was purchased for \$12.2 million with total transaction costs of approximately \$14.8 million. Sources included the aforementioned CBRE debt, loans from HOC’s Opportunity Housing Reserve Fund (OHRF) and its FHA Risk Share Reserves, and a Montgomery County, Maryland (the “County”) loan funded via its Housing Initiative Fund (HIF).

Considering the CBRE loan matures on November 1, 2019 and the HIF loan matures on December 1, 2019, staff has reviewed the Property’s operational performance, conducted a Property Condition Needs Assessment (PCNA), obtained an appraisal, and received term sheets for permanent financing. Having concluded due diligence and underwriting, staff proposes to create a new special purpose entity (i.e. a limited liability corporation) to acquire the Property from the Corporation, and permanently finance the Property through the combined use of proceeds from the issuance of an up to \$14 million permanent, taxable loan funded by the Federal Financing Bank (“FFB”) and insured by FHA in accordance with its Risk Sharing Agreement with HOC (“FHA/FFB Financing” or “Permanent Loan”); assumption of the Corporation’s remaining \$1,510,250 subordinate County HIF loan (approximately \$3.2 million will be paid back); and, the Property’s \$1.5 million in existing reserves and \$911,767 in restricted cash (collectively the “Permanent Financing Plan”). The FHA/FFB Financing requires that HOC assume 50% of the risk of the financing. The Property is anticipated to support the Permanent Loan with a 1.20:1 Debt Service Coverage Ratio (“DSCR”). Closing is anticipated by October 15, 2019.

Therefore, staff recommends that the Commission accept the recommendation of the Development & Finance Committee and

- 1) Approve the Permanent Financing Plan for the Glenmont Westerly transaction;
- 2) Approve the formation of a new limited liability corporation, named “Glenmont Westerly, LLC”, to acquire the Property, and the execution an operating agreement;
- 3) Authorize the newly formed ownership entity to assume the remaining balance on the County HIF Loan in accordance with the County Note, dated June 27, 2013;
- 4) Authorize the issuance of a Financing Commitment to Glenmont Westerly, LLC for an FFB/FHA 35-year, taxable mortgage loan, insured by FHA Risk Share mortgage program in an amount up to \$14 million with HOC assuming 50% of the risk;
- 5) Authorize entering into a Participation Agreement with FFB to fund the Permanent Loan.



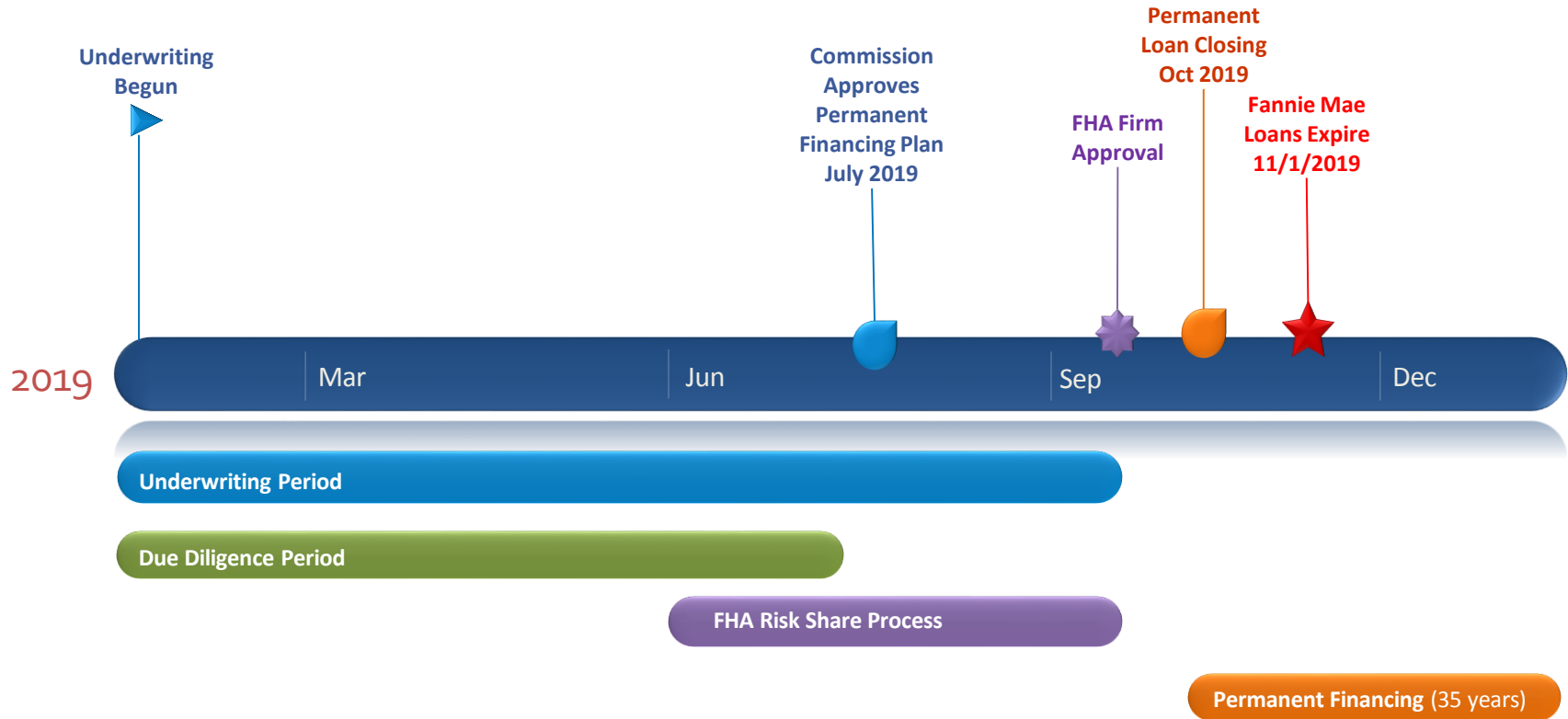
EXECUTIVE SUMMARY

| | | |
|--|---|--------------|
| Borrower | Glenmont Westerly Limited Liability Company | |
| Units/Affordability | 102 garden apartments 52% Restricted | |
| | 21 | ≤ 50% AMI |
| | 32 | ≤ 90% AMI |
| | 49 | Unrestricted |
| Permanent First Mortgage (up to) | \$14,000,000 | |
| Permanent Source/Credit Enhancement | Federal Financing Bank / FHA Risk Share (50%) | |
| Permanent Interest Rate (est.) | 3.72% (includes 50bps cushion) | |
| Amortization | 35 Years | |
| Debt Service Coverage Ratio (target) | 1.20 | |
| County HIF Loan (assumed from previous owner) | \$1,510,250 | |
| Restricted Cash at Property | \$911,767 | |
| Reserves (assumed from previous owner) | \$1,480,897 | |
| County Participation | Payment-in Lieu of Taxes (PILOT) Agreement (assignment to LLC required by County) Estimated Value of PILOT \$158,053 in CY 2020 | |

COMMISSION/CORPORATION RESOLUTIONS

| Date | Res. | Description of Commission Resolutions |
|------------------|--|--|
| October 3, 2012 | 12-66 12-79 | Authorization to (a) exercise HOC's Right of First Refusal to acquire the Properties pursuant to Article 53A of the Montgomery County Code, (b) assume existing Fannie Mae debt totaling \$17.25 million and obtain an additional \$3.5 million from Fannie Mae, (c) execute applicable documents, (d) form a special purpose entity, (e) use up to \$3.5 million from the OHRF to fund the deposit and predevelopment expenses, and (f) apply for and accept Maryland Department of Housing and Community Development Strategic Community Development Strategic Demolition and Smart Growth Impact Funds of approximately \$500,000. |
| December 5, 2012 | 12-01 12-94 12-100 12-101A 12-101B | <p>HOC approved to (a) form two Development Corporation entities to own the Properties, (b) borrow up to \$1.826 million from HOC's FHA Risk Sharing Reserves to fund a supplemental loan to complete acquisition of the Properties, amortizing over 30 years at an interest rate based on the 7 year US Treasury plus 315 basis points, (c) accept a \$6.5 million loan from DHCA secured by a pledge of HOC's cash flow from the Properties, and (d) loan the proceeds of such DHCA loan to the Properties.</p> <p>In addition, the Development Corporations approved to (i) purchase the Properties, (ii) accept existing Fannie Mae debt of \$17,202,292 and a supplemental loan of \$2,167,000, HOC loans of up to \$3,500,000 from the OHRF, and unsecured loans of \$6,500,000 (as DHCA pass-through), (iii) assume existing contracts, and (iv) enter into Payment In Lieu of Taxes ("PILOT") with the County.</p> |

FINANCING SCHEDULE



PROPERTY OVERVIEW

Location 2309 Shorefield Road, Silver Spring

Current Owner Glenmont Westerly Development Corporation

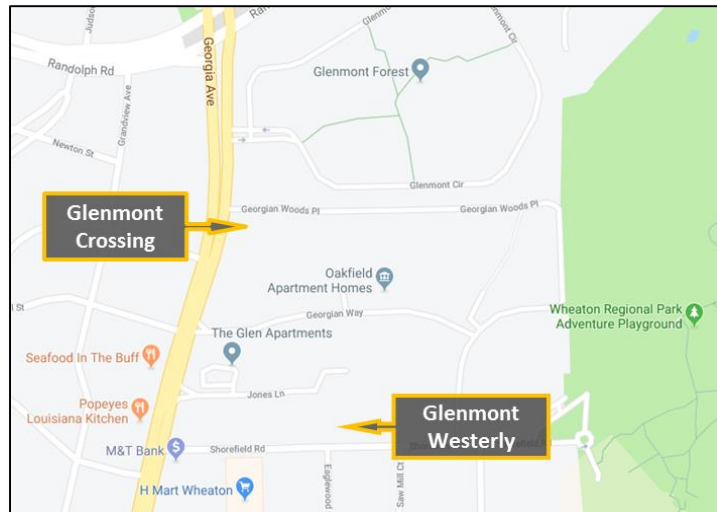
Property Manager Edgewood Management Corporation

Total Units 102 garden apartments

Occupancy 98% (6/1/19)

Unit Mix/Rent

| Type | 50% AMI | | 90% AMI | | Market | |
|--------------|---------|-----------|---------|-----------|---------|-----------|
| | Rent | Count | Rent | Count | Rent | Count |
| 1 BD/1 BA | \$1,182 | 4 | \$1,335 | 6 | \$1,415 | 9 |
| 2 BD/1 BA | \$1,391 | 6 | \$1,435 | 9 | \$1,523 | 13 |
| 2 BD/1.5 BA | \$1,391 | 11 | \$1,460 | 17 | \$1,540 | 27 |
| TOTAL | | 21 | | 32 | | 49 |



Public Purpose

Glenmont Westerly includes 21 units restricted for households earning up to 50% of AMI, and 32 units restricted for households earning up to 90% of AMI.

Amenities

Neighborhood amenities include the Wheaton Regional Park, grocery anchored shopping centers (H Mart and Shoppers), various restaurants and services, with additional connectivity via the Glenmont WMATA Metro Station (Red Line).

Planned Construction

Approximately \$2.5 million or \$24,446 per unit will be set aside at closing to contribute to the replacement reserve and complete immediate and short-term repairs.

PERMANENT FINANCING PLAN

The goals of the Permanent Financing Plan are for the Property to maximize loan proceeds to retire existing debt with CBRE, repay all or a portion of the existing HOC loans, repay all or a portion of the existing County HIF loan, fund immediate and short-term repairs highlighted in the Property Capital Needs Assessment (“PCNA”) report, and establish a new Replacement Reserve account.

Below is Glenmont Westerly’s existing debt and the anticipated payment at closing. Any remaining debt will be assumed by the new borrower, Glenmont Westerly Limited Liability Company (Borrower):

| Debt Outstanding | Amount | Anticipated Payment | |
|-----------------------------|-------------------|---------------------|------------------|
| | | at Closing | Balance Due |
| CBRE Fannie Mae Loan | 6,598,384 | (6,598,384) | - |
| County HIF Loan | 4,690,250 | (3,180,000) | 1,510,250 |
| HOC Risk Share Reserve Loan | 2,340,837 | (2,340,837) | - |
| HOC OHRF Loan | 926,183 | (926,183) | - |
| Totals | 14,555,654 | (13,045,404) | 1,510,250 |

Below are the immediate and short-term repairs highlighted in the Property’s PCNA, which is \$4,672 per unit:

| Location | | Immediate Recommended Work | | Short-Term Recommended Work | |
|--------------------|----------------|-----------------------------|----------------|---|--|
| | | | | | |
| Site Improvements | 4,200 | sidewalk repairs | 66,089 | mill and overlay payment | |
| Building Envelope | | | 261,493 | roof replacement; recaulk windows/doors | |
| Building Interiors | | | 4,200 | repair kitchen floors in 10 units | |
| Building Systems | 140,613 | replace H/W heaters | | | |
| | 144,813 | Total Immediate Work | 331,782 | Total Short-Term Work | |

Prepayment of the FFB/FHA mortgage will be prohibited for the first 10 years. Therefore, based on a 12-year Replacement Reserve schedule and estimated annual contributions of \$635 per unit, the underwriting requires that an additional deposit to the Replacement Reserve account of \$1,969,274 or \$19,307 per unit be made.

Altogether and at closing of the transaction, the Replacement Reserve Account will be funded with \$2,493,528 or \$24,446 per unit to complete immediate, near term, and turnover repairs anticipated over the next 12 years.

PERMANENT FINANCING PLAN

| | Sources | Amount | Per Unit |
|----|------------------------------|----------------------|-------------------|
| a) | Permanent Mortgage Loan | \$ 13,668,000 | \$ 134,000 |
| b) | County HIF (remaining) | \$ 1,510,250 | \$ 14,806 |
| c) | Restricted Cash at Property | \$ 911,767 | \$ 8,939 |
| d) | Existing Replacement Reserve | \$ 275,643 | \$ 2,702 |
| d) | Existing Renovation Escrow | \$ 916,467 | \$ 8,985 |
| d) | Existing Operating Reserve | \$ 81,218 | \$ 796 |
| d) | Existing Mortgage Escrow | \$ 207,568 | \$ 2,035 |
| | Total Sources | \$ 17,570,914 | \$ 172,264 |

| | Uses | Amount | Per Unit |
|--|-----------------------------------|----------------------|-------------------|
| | CBRE Fannie Mae Debt | \$ 6,598,384 | \$ 64,690 |
| | County Loan (HIF) | \$ 4,690,250 | \$ 45,983 |
| | HOC Loan (FHA Risk Share) | \$ 2,340,837 | \$ 22,949 |
| | HOC Loan (OHRF)(orig acquisition) | \$ 926,183 | \$ 9,080 |
| | Financing & Legal Costs | \$ 499,573 | \$ 4,898 |
| | Due Diligence Costs | \$ 22,159 | \$ 217 |
| | Immediate & Short-Term Repairs | \$ 524,254 | \$ 5,140 |
| | Initial Replacement Reserves | \$ 1,969,274 | \$ 19,307 |
| | Total Uses | \$ 17,570,914 | \$ 172,264 |

The Glenmont Westerly Permanent Financing Plan includes the following sources, which will be used to repay existing CBRE Fannie Mae and HOC FHA Risk Share Reserve and OHRF debt, repay a portion of the County HIF loan, set aside funds for repairs and Replacement Reserves, reimburse due diligence expenses, and other financing/closing related costs:

- a) an FFB 35-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14 million, sized at 1.20:1.00 DSCR;
- b) approximately \$1,510,250 of the Property's County HIF loan will remain in the transaction, as a subordinate loan (an estimated \$3.2 million will be repaid);
- c) excess operating cash of \$911,767 that has been restricted to the Property annually each budget year, mostly for interest payments due on the County HIF loan (\$164,250 yearly); and,
- d) existing reserves totaling \$1.48 million from the property's Replacement Reserve, Renovation Escrow, Operating Reserve, and Mortgage Escrow. The Operating Reserve and Mortgage Escrow were requirements of Fannie Mae and will be released upon repayment of its loan.

PERMANENT FINANCING COMPARISON

| | Taxable FHA/FFB Loan | Tax-Exempt Bond Loan | Fannie Mae Loan |
|---|-------------------------|-------------------------|--------------------|
| Amount | \$13,668,000 | \$12,459,500 | \$11,688,800 |
| Term | 35 | 35 | 20 |
| Amortization | 35 | 35 | 30 |
| Base Interest Rate | 2.584% | 3.270% | 2.070% |
| MIP | 0.25% | 0.25% | 0.00% |
| Custodian Fee | 0.02% | 0.02% | 0.00% |
| Loan Management Fee | 0.36% | 0.36% | 0.00% |
| Cushion | 0.50% | 0.50% | 1.94% |
| All-In Rate | 3.71% | 4.40% | 4.01% |
| Stabilized Operations | | | |
| Stabilized NOI | \$838,080 | \$838,080 | \$838,080 |
| Annual Debt Service | \$698,453 | \$697,986 | \$670,458 |
| DSCR | 1.20 | 1.20 | 1.25 |
| Total Interest Payments (10 years) | \$4,175,017 | \$4,636,618 | \$4,508,650 |
| FFB Interest Savings (over 10 years) | \$461,601 | | |
| Estimated Financing Costs | | | |
| Cost of Issuance | \$187,140 | \$249,190 | \$233,776 |
| Upfront MIP | \$34,170 | \$34,170 | \$31,149 |
| Financing Fee | <u>\$273,360</u> | <u>\$249,190</u> | <u>\$97,500</u> |
| Total Costs of Financing | \$494,670 | \$532,550 | \$362,425 |
| FFB Financing Cost Savings | \$62,050 | | |
| FFB Net Savings or Income | \$523,651 | | |

Staff evaluated three (3) options for funding of the Property's first mortgage: (a) a loan from FFB; (b) use of traditional tax-exempt governmental bonds; and, (c) Fannie Mae debt. Both the bonds and FFB loan would be backed by FHA Risk Share mortgage insurance. The analysis concluded the following:

- Property operations will support a larger loan at the lower FFB interest rate, providing \$1.2 to \$2 million in additional loan proceeds. The debt sizing is subject to satisfying a 1.20x debt service coverage ratio.
- An FHA/FFB Financing provides savings in interest expense of up to approximately \$461,601 over the first 10 years of the FFB loan, and approximately \$62,050 in financing costs, for a total savings of \$523,651.
- The Fannie Mae loan is constrained by its length of amortization and DSCR requirements, providing the least in loan proceeds, thus making the loan uncompetitive.

STABILIZED PRO FORMA

| Stabilized Proforma | HOC Budget CY 2020 | Underwritten CY 2020 | Variance | Underwritten Per Unit \$ |
|---------------------------------------|-----------------------|-------------------------|-------------------|-----------------------------|
| Effective Gross Income (EGI) | \$1,724,692 | \$1,687,052 | (\$37,640) | \$16,540 |
| Operating Expenses | \$774,032 | \$797,972 | \$23,940 | \$7,823 |
| Replacement Reserves | \$61,200 | \$51,000 | (\$10,200) | \$500 |
| Net Operating Income (NOI) | \$889,460 | \$838,080 | (\$51,380) | \$8,216 |
| Debt Service | \$703,062 | \$698,453 | (\$4,609) | \$6,848 |
| Additional Replacement Reserves | | \$13,770 | \$13,770 | \$135 |
| Cash Flow Before Distributions | \$186,398 | \$139,627 | (\$46,771) | \$1,369 |
| Debt Service Coverage Ratio (DSCR) | 1.27 | 1.20 | | |

- Historically, the Property has maintained an average occupancy of 96.1% over the last three years; however, the Property has been underwritten assuming 5% vacancy and 1.5% toward concessions and bad debt. The Property's budget assumed a 2.5% vacancy and 1% toward concessions and bad debt, creating a variance of \$37,640.
- The underwritten stabilized proforma is based upon the average of the last two (2) years worth of actual operations, and assumes rent and expense annual growth rates of 2% and 3%, respectively.
- The underwritten stabilized proforma assumes annual Replacement Reserves contributions of \$500 per unit (\$51,000 annually). An additional deposit of \$135 per unit or \$13,770 annually is recommend after debt service for a combined deposit of \$635 per unit annually. This is a \$35 per unit increase annually in comparison to budget. The Property currently benefits from a 100% Payment in Lieu of Taxes ("PILOT") agreement from Montgomery County. Staff will request an assignment of the existing PILOT to the new Borrower, given that the new Borrower will continue to be wholly controlled by the Commission and the Property's public purpose will remain unchanged.
- Subject to interest rate movements, based upon an NOI of \$838,080, staff anticipates that the Property will support a loan of up to \$14 million with a DSCR of 1.20. Sizing is based on an estimated interest rate of 3.71% (including MIP, LMF, and a 50bps cushion).

SUMMARY AND RECOMMENDATIONS

ISSUES FOR CONSIDERATION

Does the Commission wish to grant its:

- 1) Approval of a Permanent Financing Plan Glenmont Westerly, which includes proceeds from the issuance of an up to \$14 million permanent, taxable loan from the FFB with mortgage insurance provided by FHA in accordance with its Risk Sharing Agreement with HOC; assumption of the Corporation's remaining \$ \$1,510,250 subordinate County HIF loan; and, the Property's \$1.5 million in existing reserves and \$911,767 in restricted cash?
- 2) Approval to form a new limited liability corporation, named "Glenmont Westerly, LLC", to acquire the Property, and execute an operating agreement?
- 3) Approval of the newly formed ownership entity to assume the existing County HIF Loan in accordance with the County Note, dated June 27, 2013?
- 4) Authorization for HOC to issue a Financing Commitment to Glenmont Westerly, LLC for an FFB 35-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14 million with HOC assuming 50% of the risk?
- 5) Authorization to enter into a Participation Agreement with FFB to fund the permanent loan?

TIME FRAME

Action at the July 7, 2019 meeting of the Commission.

FISCAL/BUDGET IMPACT

- The FY20 budget currently projects the receipt of \$358,500 in Commitment Fee and annual Loan Management Fee of \$18,667 to be collected for this transaction. Current underwriting of the transaction projects collection of a \$273,360 Commitment Fee and a \$34,170 Loan Management Fee annually, which combined are \$69,637 lower than budgeted for FY20.
- The Property's 2020 budget projects \$186,398 in cash flow to the Agency; however, underwriting indicates a cash flow projection of \$139,627, creating a negative variance of \$46,771.
- The FHA/FFB Financing will raise enough proceeds to return all HOC Risk Share and OHRF monies (\$2,340,837 and \$926,183, respectively) to the Commission.

COMMITTEE RECOMMENDATION

On June 21, 2019, the Development and Finance Committee considered this request and it unanimously approved the request for recommendation to the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED

Staff recommends that the Commission accept the recommendation of the Development and Finance Committee and grant its:

- 1) Approval of the Permanent Financing Plan for the Glenmont Westerly transaction, which includes proceeds from the issuance of an up to \$14 million permanent, taxable loan from the FFB with credit enhancement by FHA under its Risk Sharing Agreement with HOC; assumption of the Corporation's remaining \$ 1,510,250 subordinate County HIF loan; and, the Property's \$1.5 million in existing reserves and \$911,767 in restricted cash.
- 2) Approval to form a new limited liability corporation, named "Glenmont Westerly, LLC", to acquire the Property, and execute an operating agreement.
- 3) Approval of the newly formed ownership entity to assume the existing County HIF Loan in accordance with the County Note, dated June 27, 2013.
- 4) Authorization for HOC to issue a Financing Commitment to Glenmont Westerly, LLC for an FFB 35-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14 million with HOC assuming 50% of the risk.
- 5) Authorization to enter into a Participation Agreement with FFB to fund the permanent loan.

RESOLUTION No. 19-75:

RE: Approval of a Permanent Financing Plan for Glenmont Westerly; Approval to Form New Ownership Entity in which to Transfer the Asset and Approval to Execute an Operating Agreement; Authorization to Issue Financing Commitment; and, Authorization to Enter into a Participation Agreement with the Federal Financing Bank to Fund a Permanent Loan

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, is authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of multifamily rental housing properties for persons of eligible income which provide a public purpose; and

WHEREAS, on December 4, 2012, the Commission approved a Financing Plan for the purchase of Glenmont Westerly, a community consisting of 102 units in Silver Spring, Maryland (the “Property”), which was acquired on December 4, 2012 by Glenmont Westerly Development Corporation (the “Corporation”), a wholly controlled corporate instrumentality of HOC, through the assumption of a CBRE Multifamily Capital, Inc. loan backed by Fannie Mae (“Fannie Mae Loan”), a Montgomery County, Maryland Housing Initiative Fund loan (“HIF Loan”), and loans from HOC’s Opportunity Housing Reserve Fund (OHRF) and its FHA Risk Share Reserves; and

WHEREAS, on November 1, 2019, the Fannie Mae Loan matures and on December 1, 2019, the HIF Loan matures, and in preparation of those maturities, staff has reviewed the Property’s operational performance, conducted a Property Condition Needs Assessment, obtained an appraisal, and received term sheets for permanent financing; and

WHEREAS, staff has developed a Permanent Financing Plan that will maximize the amount of financing to provide funds to retire the Fannie Mae Loan, repay most of the Property’s existing debt, and fund approximately \$2.5 million (or \$24,446 per unit) in order to fund the Replacement for Reserve account for immediate, near term and turn over repairs at the Property over the next 12 years; and

WHEREAS, the Permanent Financing Plan includes: (1) the creation of a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the “SPE”) for the purpose of acquiring the Property; (2) a Federal Financing Bank, 35-year taxable loan, credit enhanced by mortgage insurance provided under the FHA Risk Share program in an amount not to exceed \$14,000,000 (“FFB/FHA Financing or “Permanent Loan”); (3) assumption of the Corporation’s

remaining \$1,510,250 subordinate HIF Loan (approximately \$3.2 million will be paid at closing); and, (4) assumption of the Property's approximate \$1.5 million in existing reserves and \$911,767 in restricted cash (collectively the "Permanent Financing Plan"); and

WHEREAS, under the Permanent Financing Plan, the Property's public purpose shall remain unchanged with 20% of units (or 21 units) continuing to serve households earning less than or equal to 50% of the Washington, DC-MD-VA Statistical Area Median Income ("AMI") and 30% of units (or 32 units) continuing to serve households earning less than or equal to 90% AMI.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery approves the following:

1. The Property's Permanent Financing Plan, as described herein, including the creation of the SPE and execution of an Operating Agreement;
2. Authorization for HOC to issue a Financing Commitment to the SPE for an FFB/FHA 35-year, taxable mortgage loan, insured by FHA Risk Share mortgage program in an amount up to \$14 million with HOC assuming 50% of the risk;
3. Authorization to enter into a Participation Agreement with FFB to fund the Permanent Loan; and

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting for itself and on behalf of the SPE, as its sole member, approves the following:

1. Assuming the following accounts and balances at Permanent Loan closing: the remaining balance on the HIF Loan (approximately \$1,510,250) in accordance with the County Note, dated June 27, 2013; the existing Property's reserves totaling \$1,480,897; and, the existing restricted cash at the Property totaling \$911,767;
2. Accepting the transfer of the Property from the Corporation at cost; and
3. Accepting the Financing Commitment from HOC.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission Montgomery County authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL OF THE FINAL DEVELOPMENT PLAN FOR BAUER PARK APARTMENTS,
APPROVAL TO SELECT ENTERPRISE COMMUNITY PARTNERS (“ENTERPRISE”) AS
THE TAX CREDIT INVESTOR FOR BAUER PARK AND AUTHORIZATION FOR THE
EXECUTIVE DIRECTOR TO NEGOTIATE AND EXECUTE AN OPERATING AGREEMENT
WITH ENTERPRISE**



STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
ZACHARY MARKS
JAY SHEPHERD

July 10, 2019

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Executive Summary

Expiring Subsidy

- Bauer Park Apartments (the “Property”) at 14635/39/43 Bauer Drive consists of 142 units in three (3) buildings on 3.88 acres of land on the southeast corner of the intersection of Bauer Drive and Norbeck Road in Rockville, MD.
- The Property was originally built in 1977 and financed under HUDs Section 236 Program (“236 Program”) that is expiring.
- In order to preserve the subsidy, HOC will convert eligible units under HUD’s RAD 2 Component (or “RAP”) securing Project Based Rental Assistance for these units.
- The units not covered by RAP will secure Low Vacancy Vouchers (“LVV”) after tenant eligibility and certification.

Final Development Plan

- The projected Total Development Cost is approximately \$40 MM to be funded with HOC-issued FHA Risk Share mortgage funded with tax-exempt bond proceeds, County Capital Improvement Program (“CIP”) funds, 4% Low Income Housing Tax Credit (“LIHTC”) equity, a seller note and existing property replacement reserves.
- In December 2018, HOC submitted a Purchase and Sale agreement (“PSA”) to acquire the interest in Bauer Park Apartments and proceed with a divestiture by Banor Housing Inc. (“BHI”) the Policy Board of the 236-Mortgage Property. The Board provided comments to the Agreement, pursuant to which, HOC staff provided revisions; and on March 14, 2019, BHI approved the terms of the PSA at their regularly scheduled quarterly meeting.
- The Property will see significant improvements to energy efficiency, the common areas and exterior grounds will be enhanced, and residents’ units will be modernized. As the post-conversion per-unit subsidy will allow the Property to yield enough capital to fully fund all renovations and restore predevelopment costs.

Closeout Funding Request

- Staff is requesting the Commission approve a final funding advance of \$250,000 from the Opportunity Housing Reserve Fund (“OHRF”) for predevelopment costs as they are incurred to closeout all related obligations pre-closing of the LIHTC equity.
- All advances made from the OHRF will be repaid at the financial closing of the transaction.

LIHTC Investor

- Bauer Park Apartments will be owned by a 0.01% general partner comprised of HOC and Victory Housing, Inc. and a 99.99% investor limited partner.
- Staff solicited 13 syndicators/investors for Letter of Interest in providing capital for low income housing tax credits; three (3) responses were received.
- After comparison review, Staff is recommending using Enterprise Community Investment, Inc. based on the highest level of equity provided to the Opportunity.

Previous Funding & Related Commission Action

\$225,000 –
Predevelopment
approved **June 3, 2015**

- Source: OHRF
Use: RAD Financing Consultants for both Bauer Park and Town Center.

\$350,000 –
Predevelopment
approved **April 5, 2017**

- Source: OHRF
Use: LIHTC application submittal

\$100,000 –
Predevelopment
approved **July 11, 2018**

- Source: OHRF
Use: LIHTC application until Closing on the final Financing Plan.

\$250,000 – Current
predevelopment & final
request

- Source: OHRF
Use: cover all obligations related to conversion and LIHTC Closing.

CIP Funded Work Schedule:

\$1,600,000
Approved **June 7, 2017**

- Source: Capital Improvements Program ("CIP")
Use: Sprinkler and Fire Alarm System Installation.

\$468,364
Approved **March 6, 2019**

- Source(s): \$343,364 CIP and \$125,000 Residual Receipt Reserves
Use: Window Replacement, Lintel Repair/Replacement and new Asphalt Roofing



Current front entry taken from driveway off Bauer Drive, June 2018.



Conceptual of Front Entrance post-renovation. Source: Architecture By Design.

7/10/2019

CONFIDENTIAL—NOT FOR DUPLICATION, DISSEMINATION, OR DISCUSSION

Development Summary

| | | | | | |
|---------------------|----------------------|-------------------------------|--------------|------------------------------|-----------------|
| Project Name | Bauer Park Apts. | Units | 142 | Expected Closing Date | January 2020 |
| Location | Rockville, MD | Average Unit Size (SF) | 510 sq ft | Stabilization Date | March 2022 |
| Product Type | Multifamily low-rise | Total Rentable Sq Ft | 93,065 sq ft | Funding Strategy | 4% LIHTC/ Bonds |

Development Plan

- The building renovation will mirror the existing work completed at Waverly House and Arcola Towers. Substantial upgrades to unit and common area finishes along with investments in building-wide energy resilience and efficiency will occur.
- Bauer Park Apartments will be a rental development that will continue to serve seniors aged 62 and older.
- Final renovation will include 142 LIHTC units, a 78-stall surface parking lot, fitness center, a cafeteria with reception kitchen, and multi-building level laundry amenities.
- The vacancy has been accrued to allow the renovation to begin in phases of 12-18 units concurrent with residents residing at the property. As each phase delivers after renovation, tenants may move only once into a new renovated unit.
- Renovation is projected to be 18-22 months in duration, including final closeout documentation.
- Preservation of the number of rent-restricted units available to those at or below 60% AMI.
- LIHTC equity (4% credits), tax-exempt bonds, seller note and replacement reserves will complete the financing of the development.
- Existing replacement reserve funds will be transferred to the new owner at closing and the proceeds applied to fund the initial deposits to new replacement reserve account.



Project Ownership

- Owned by a partnership named Bauer Park Apartments, LP (the "Partnership")
- Sponsored by Housing Opportunities Commission of Montgomery County (the "Sponsor")
- The Managing Member will be a for-profit subsidiary of the Sponsor (the "Managing Member"), which will be a single purpose entity with a 0.01% Company interest with HOC owning 79% of the General Partner and Victory Housing owning the other 21%.
- The Enterprise equity fund will be the limited partner (the "Limited Partner") with a 99.99% partnership interest (subject to Commission approval herein requested).

Residential Unit Mix

Post Conversion Unit Underwriting

Rent Detail Information

| Unit Type | Square Feet | # | Total SF | Underwriting Rent | | | | |
|--|-------------|------------|---------------|---------------------|-------------------|-------------------------|---------------|------------------|
| | | | | Gross Rent Per Unit | Utility Allowance | Effective Rent Per Unit | Per SF | Net Rent/mo |
| PBRA (60% AMI) | | | | | | | | |
| 1BR + 1BTH (Eff.) | 440 | 24 | 10,560 | 1,395 | \$0 | \$1,395 | \$3.17 | \$33,480 |
| 1BR + 1BTH (Eff.) | 451 | 2 | 902 | 1,395 | \$0 | \$1,395 | \$3.09 | \$2,790 |
| 1BR + 1BTH | 566 | 28 | 15,848 | 1,540 | \$0 | \$1,540 | \$2.72 | \$43,120 |
| 1BR + 1BTH | 590 | 2 | 1,180 | 1,540 | \$0 | \$1,540 | \$2.61 | \$3,080 |
| LVV (Low Vacancy Voucher) 60% AMI | | | | | | | | |
| 1BR + 1BTH (Eff.) | 440 | 30 | 13,200 | 1,222 | \$0 | \$1,222 | \$2.78 | \$36,660 |
| 1BR + 1BTH (Eff.) | 451 | 6 | 2,706 | 1,222 | \$0 | \$1,222 | \$2.71 | \$7,332 |
| 1BR + 1BTH | 566 | 26 | 14,716 | 1,275 | \$0 | \$1,275 | \$2.25 | \$33,150 |
| 1BR + 1BTH | 590 | 3 | 1,770 | 1,275 | \$0 | \$1,275 | \$2.16 | \$3,825 |
| OpptyHousing (LIHTC Income Avg.) | | | | | | | | |
| 1BR + 1BTH (Eff.) | 440 | 6 | 2,640 | 1,395 | \$0 | \$1,395 | \$3.17 | \$8,370 |
| 1BR + 1BTH | 566 | 13 | 7,358 | 1,540 | \$0 | \$1,540 | \$2.72 | \$20,020 |
| 1BR + 1BTH | 590 | 1 | 590 | 1,540 | \$0 | \$1,540 | \$2.61 | \$1,540 |
| 2BR + 1BTH | 905 | 1 | 905 | 1,575 | \$0 | \$1,575 | \$1.74 | \$1,575 |
| Total/Average | 510 | 142 | 72,375 | \$1,373 | \$0 | \$1,373 | \$2.69 | \$194,942 |

| AFF | % of AFF | Average Rent |
|-----|----------|--------------|
| 142 | 100.00% | \$1,373 |

Existing Unit Mix

| Unit Type | SF | Total Units | Market Units | Market Rent | HAP Units | HAP Rent | 236 Basic Units | 236 Basic Rent |
|----------------------|------------|-------------|--------------|-------------|-----------|--------------|-----------------|----------------|
| EFF | 400 | 68 | 0 | \$0 | 18 | \$656 | 50 | \$466 |
| 1BR | 529 | 72 | 0 | \$0 | 6 | \$788 | 66 | \$561 |
| 2BR | 762 | 2 | 2 | Staff | 0 | \$0 | 0 | \$0 |
| Total/Average | 471 | 142 | 2 | \$0 | 24 | \$722 | 116 | \$514 |

- **56 units** will qualify for PBRA and convert under Component Two of the Rental Assistance Demonstration (“RAD”) program. PBRA Rents are governed by Rent Comparability Studies (“RCS”) and the RCS concluded that the median gross rent for the zip code (20853) in which Bauer Park is located was \$1,395 and \$1,540, respectively for the two one bedroom sized units. Since the median gross rent for the zip code is \$1,399 with 140 percent of the median gross rent being \$1,959, the median RCS market rents therefore do not exceed 140 percent of the median gross rents for the subject property’s zip code.
- An additional **65 units** will receive low vacancy vouchers. The underwriting includes the June 1, 2019 applicable Voucher Payment Standards for the zip code (20853) in which Bauer Park is located and is \$1,222 for efficiency units and \$1,275 for one bedroom units.
- The remaining **21 units** will be qualified units and comply with Low Income Housing Tax Credit guidelines.

Sources and Uses

Development Budget Highlights

| Sources of Fund Construction | Amount | Per Unit |
|-----------------------------------|---------------------|------------------|
| Tax-Exempt Bonds(1) | \$21,095,520 | \$148,560 |
| Montgomery County CIP(2) | \$529,694 | \$3,730 |
| LIHTC Equity(3) | \$9,995,001 | \$70,387 |
| Deferred Developer's Fee (4) | \$0 | \$0 |
| Seller Note (5) | \$8,132,976 | \$57,274 |
| Existing Replacement Reserves (6) | \$71,000 | \$500 |
| Total Sources | \$39,824,191 | \$280,452 |

| Uses of Fund Construction | Amount | Per Unit |
|------------------------------------|---------------------|------------------|
| Hard Cost | \$15,174,287 | \$106,861 |
| Fees Related To Construction Costs | \$1,763,700 | \$12,420 |
| Acquisition Costs (7) | \$14,957,022 | \$105,331 |
| Financing Fees and Charges | \$3,457,781 | \$24,351 |
| Developer's Fees | \$3,601,292 | \$25,361 |
| Syndication Related Costs | \$222,000 | \$1,563 |
| Guarantees and Reserves | \$648,110 | \$4,564 |
| Total Uses | \$39,824,191 | \$280,452 |

Notes:

1. Permanent loan estimated at \$21.1 million funded from bond proceeds with mortgage insurance under FHA Risk Share program. If the Federal Financing Bank loan program is extended, staff would pursue a permanent loan via the program with FHA Risk Share mortgage insurance.
2. Obligated funding from the Montgomery County Capital Improvements Program ("CIP").
3. Estimated Low Income Housing Tax Credit equity proceeds of \$9,995,001 (based on \$0.965 per credit).
4. No deferred Fee is projected.
5. Seller (HOC) Note of \$8.1 million. Staff proposes that repayment of the seller note be reserved to pay for the exit taxes post compliance.
6. Balance of existing replacement reserves was \$233,552 a/o January 31, 2019, but are being reduced by \$125,000 to offset expenses related to the windows/lintels/roofing installation.
7. Includes the final intercompany payable to HOC for \$643,221.52 to close out what the property owes to HOC. Also includes excess proceeds, estimated at \$5.8MM to be returned to the OHRF in accordance with the Banor Housing Board approval for public purposes.

20 Year Reserve Schedule

Reserves for Replacement Schedule for:

Reserve Schedule Highlights

Bauer Park Apartments

PHA Name: Housing Opportunities Commission

Unit Count: **142**

| | <i>Year 1</i> | <i>Year 5</i> | <i>Year 10</i> | <i>Year 15</i> | <i>Year 20</i> | |
|--|---------------|---------------|----------------|----------------|----------------|----------------------|
| Year of Requirement | 2020 | 2024 | 2029 | 2034 | 2038 | Totals |
| Inflated Annual PCA Needs | \$0 | \$17,424 | \$349,916 | \$168,702 | \$42,014 | \$1,338,955 |
| Beginning Balance (Equals IDRR in Year 1) | \$143,065 | \$457,076 | \$892,790 | \$407,863 | \$563,439 | N/A |
| Annual Deposit to Reserves for Replacement (ADRR) | \$72,775 | \$80,330 | \$90,886 | \$102,829 | \$113,504 | \$1,813,671 |
| Balance After R4R Deposits | \$215,840 | \$537,406 | \$983,676 | \$510,692 | \$676,943 | N/A |
| Withdrawals (Equal to Inflated Annual PCA Needs) | \$0 | (\$17,424) | (\$349,916) | (\$168,702) | (\$42,014) | (\$1,338,955) |
| Interest Income | \$1,795 | \$4,885 | \$7,633 | \$3,749 | \$5,992 | \$95,205 |
| Ending Balance | \$217,635 | \$524,867 | \$641,393 | \$345,740 | \$640,921 | N/A |
| Indicators of Reserve Inadequacy | | | | | | N/A |

Notes:

1. Initial Deposit to Replacement Reserves projected at \$500/unit or \$71,000.
2. Annual on-going replacement reserves for replacement also projected at \$500/unit or \$5,917 per unit per month.
3. Funding levels do not take into account the current transferring balances of the existing Replacement Reserves account, which contained \$233,552 a/o January 31, 2019.

Operating Proforma

| Operating Proforma | CY 2021 | Per Unit |
|-----------------------------------|--------------------|--------------------|
| Income | \$2,318,942 | \$16,331 |
| Expenses ⁽¹⁾ | \$868,219 | \$6,114.22 |
| NOI (Net Operating Income) | \$1,450,723 | \$10,216.36 |
| Debt Service | \$1,261,499 | \$8,883.79 |
| Cash Flow | \$189,225 | \$1,332.57 |

⁽¹⁾ Includes \$71,000 (\$500 per unit) in Annual Deposit Reserves for Replacement.

Supportable Debt

| | |
|-------------------------------|---------------------|
| Term | 35 years |
| Interest Rate | 3.75% |
| Spread/MIP and loan mgt. fee | 0.65% |
| Cushion | 0.50% |
| Debt Constant (k) | 5.98% |
| All-in Rate | 4.90% |
| Debt Service Coverage Ratio | 1.15 |
| NOI @ DSC | \$1,261,499 |
| Supportable Debt Up To | \$21,095,520 |

- The financing plan includes a 35-year mortgage insured under the FHA Risk Sharing Program for Renovation.
- Occupancy projected at 95% based on historical data.
- Rent growth rates at 2% expense growth rate at 3%.
- Total operating expenses are projected to be \$868,219 in CY 21 including funding of annual replacement reserves of \$500 per unit, per year and escalating at 3% annually. Property will carryover any outstanding reserves for replacement once converted.
- The projected net operating income (“NOI”) of \$1,450,723 in CY 2021 supports the permanent debt estimated mortgage rate of 3.75% plus 65 basis points for mortgage insurance premium (“MIP”) costs pursuant to the FHA Risk Sharing Mortgage Insurance Program (25 basis points), HOC Loan Management Fee (38 basis points), and Trustee Servicing Fee (2 basis points).
- Reserves: In addition to the RAD Property Condition Assessment Report, Staff modeled the 20 year expected useful life of each component of the construction and determined the adequacy of the IDRR and ADRRs as referenced:
 - Initial Deposit to Replacement Reserves (IDRR): \$1,000 Per Unit (\$500 per unit from the Capital Investment + \$500 per unit from existing replacement reserves transferred from the existing account, which contained \$233,552 a/o January 31, 2019, but is being used to offset expenses related to the windows/lintels/roofing installation.
 - Annual Deposit Reserves for Replacement (ADRR): \$500 per unit per year

Scope of Renovation

Scope of Renovations

- Resilient tri-generation electrical system installation in new outbuilding
- Electrical upgrades- maintaining master metered status.
- Plumbing upgrades to domestic and waste stacks.
- New kitchens, baths, bedroom and associated finishes including flooring, lighting, fixtures, appliances, cabinets, countertops, grab bars, etc.
- Hallway ceiling plan upgrades and lighting
- Updated common area spaces
- Newly designed fitness room and equipment¹



¹ Bauer Park does not currently have a fitness room. This is an added amenity element not existing at the property prior to the renovation.

Improved energy efficiency, climate and moisture control.

Well-funded operating budget.

| | | |
|---------------------|-------|-----------------------|
| Year Built | Units | Construction Spending |
| 1977 (42 Years Old) | 142 | \$11.6MM+ |



Photos on this page represent conceptual design elements – new community room (top) and exterior front entrance (above), as well as kitchen and bath upgrades (to the left).

Scope of Renovation

Front Entrance Lobby and Manager Office



Improved resident circulation, visibility and security control.

Welcoming entry and improved use of relatively limited space.

Common Area Improvements include:

- New front entry doors and security system.
- Reflective ceiling plan to not only conceal the sprinkler piping system but also allow for recessed lighting.
- Office redesign and better visibility.
- New flooring and redesign of interior partition walls.
- FF&E budget includes furniture and artwork detail.*
- Retaining space for resident counselor and maintenance shop on first floor of Building One.

***Note: Furniture depicted is conceptual. Staff consider durability of the material and ease of use by Seniors in addition to color when working with designers to select furniture appropriate for the space.

Renovation – Resident Management

Elderly and disabled individuals present a wide range of needs attributable to increased age and consequent health conditions which can be exacerbated by the magnitude of the renovation work, cultural and language barriers, and social isolation. These issues demand a level of management to help minimize negative impacts associated with the significant renovation.

The proposed Resident Management Plan will focus on needs assessment, early involvement, crisis response measures, and on-going information to link residents with the goals of the project. Tenant management and obstacle prevention will be the approaches to service delivery. While doing work on the building, occupants are sometimes relocated for short or long periods of time to allow for construction in their apartments to take place.

HOC will provide Bauer Parks' residents several options to facilitate the work that include:

1. Renovate and replace vacant units by moving residents into those units permanently;
2. Providing hospitality suites on the floor undergoing renovation to provide residents a place to go during the day;
3. Allowing residents to permanently relocate prior to commencing renovation;
4. Assisting residents with temporary relocation while

their unit is renovated.

Post renovation, Bauer Park will have **at least eight Uniform Federal Accessibility Standards (“UFAS”) units and three A/V units** which provide one unit per every floor of every building. All units will have grab bars with blocking installed for support in the bathrooms.



Tri-generation (“Tri-gen”) System

Tri-generation is the production of electricity, heat and cooling in one process. Typically this means a gas-fired generator producing electricity and heat with the exhaust heat going to an absorption chiller which produces chilled water and hot water for air conditioning or alternatively for heating.

The Benefits of a Tri-generation System:

1. Savings on energy costs;

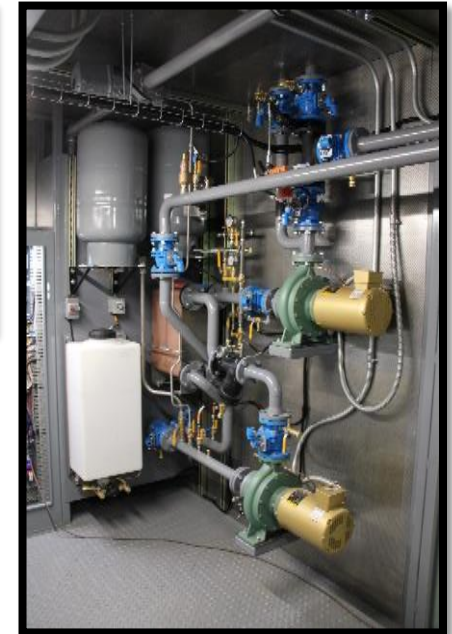
Using tri-generation to produce electricity, and specifically when using gas to run the generator and produce heat for the absorption chiller instead of power from the grid to run the air conditioning plant, savings on energy costs in the order of up to 30% can be achieved, depending on the relative price of gas and electricity to the site.

2. Savings on Greenhouse gases;

Producing electricity on site using gas produces approximately 30% less greenhouse gases than using power from the grid for an equal amount of power output.

3. Back-up power to the site and Independence from the Grid;

A tri-generation plant at Bauer will meet the entire needs of the site’s power and in the case of a black-out will meet all of the site’s energy requirements

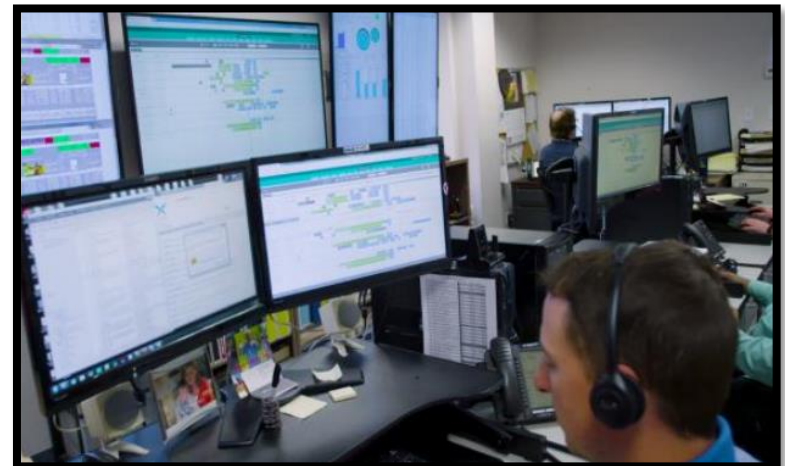


Bauer Park HVAC System:

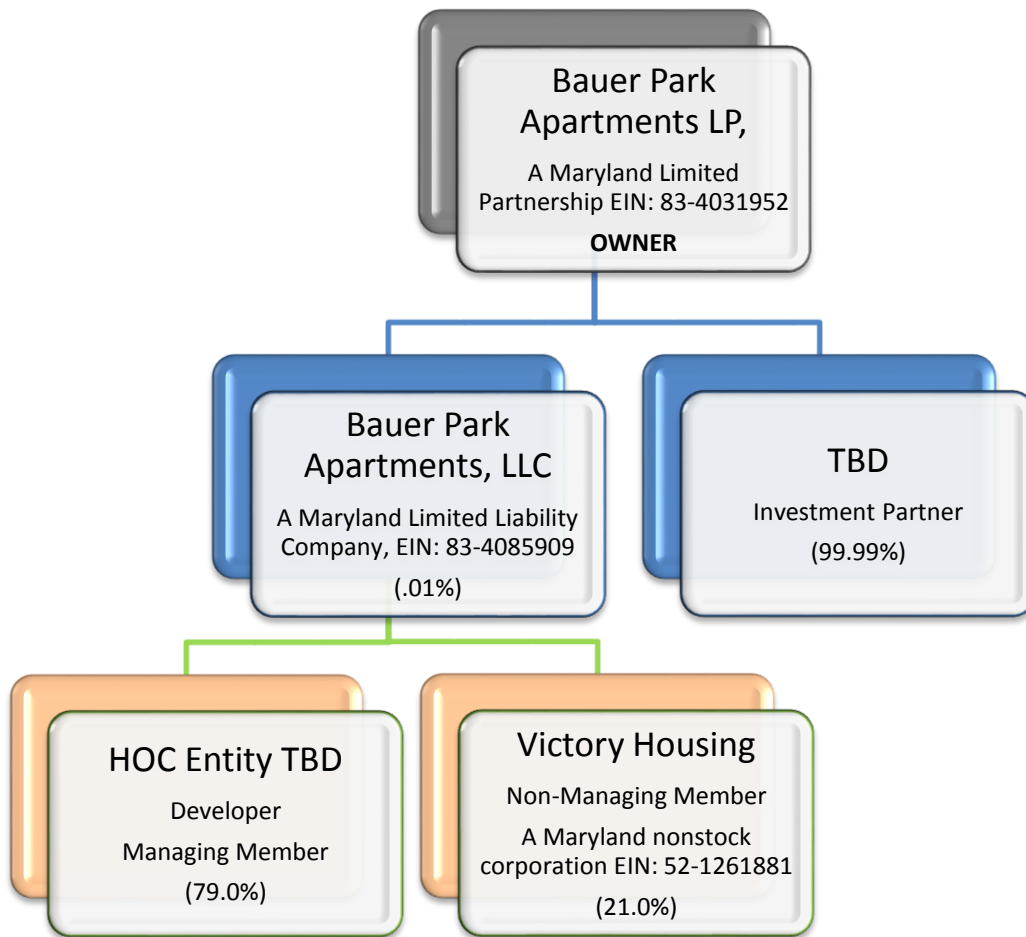
The renovation and design team guided by an energy consultant selected a Tri-gen system to be installed at Bauer to meet the property’s heating and cooling needs. The system is similar to the Co-generation units installed in 2017 in Arcola Towers and Waverly House that creates electricity off of natural gas and from waste heat, except the Tri-generation has a third leg of electrical production using waste cooling. ***The impact to Arcola and Waverly during the operating year of 2018 showed a slight increase in natural gas consumption (+10%), but a decrease to electrical consumption (-30%). The savings are expected to be higher with the Tri-generation system.***

Renovation Objectives:

1. Boost resiliency by meeting close to 100% of Bauer Park’s electric load during electrical outages.
2. Maximize use of available waste heat for space heating, domestic hot water heating, and operation of new absorption chiller.
3. Maximize energy cost savings as compared to 2018 consumption.
4. Reduce overall Operating Expenses (OPEX) at the building, where all utilities are paid by HOC, by an estimated 18-24%.



Organization Chart



- Bauer Park Apartments LP is the single purpose entity that will own the Bauer Park Apartments.
- Bauer Park Apartments, LLC is the sole member of Bauer Park Apartments LP but intends to bring in a 99.00% investor limited partner (a recommendation is provided in this packet approved by the D&F Committee and subject to approval by the Commission).

The renovation is being coordinated by HOC and Victory Housing, Inc. (“VHI”). VHI will be a non-managing minority member of the general partner and will earn 40% of the development fee, but all major decisions are made by HOC.

- In addition to submittal of the Low-Income Housing Tax Credit application, VHI has been involved in the day-to-day predevelopment work with HOC lending their experience with senior housing to make good design choices for our residents.

Design & Construction Teams

The scope development for Bauer Park was conducted in 2017 with the assistance of several companies, including Hooten Construction (formerly CBP Constructors, LLC), Architecture By Design, and EnerCon Solutions.

General Contractor:

Hooten Construction



Hooten Construction provides a full range of construction services, including affordable housing, market rate multi-family new construction, base building and tenant fit outs.

Architecture and MEP:

Architecture By Design



Architecture by Design is committed to providing architecturally creative solutions to its projects while still keeping real world ideas and efficient solutions within the context of the project.

Energy Consultant:

EnerCon Solutions

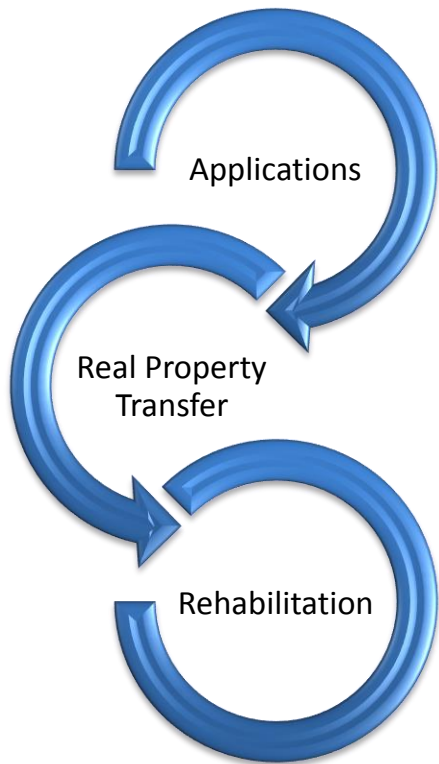


EnerCon Solutions is at the forefront of providing innovative sustainable energy solutions to industrial and institutional clients in the USA – including smart grid solutions, utility outsourcing, energy efficiency, energy management, and renewable energy development.



Victory Housing Inc. acting with HOC as its development partner, selected the Design and Construction team.

Application & Renovation Timing



Bauer Park

- Began holding occupancy steady at 123 units to retain vacancy to facilitate the renovation plans (4/2017). Breakeven occupancy is 89 units or 52 vacant units. The renovation only requires 18-21 units be vacant to facilitate the process without moving tenants offsite.
- Sprinkler and Fire alarm System with exterior water main work from CIP* funding completed (3/2019)
 - Under the direction of Department of Permitting Services, the sprinkler pipes were left exposed until the building-wide renovations commence. This allows for a new reflective ceiling plan to be installed for functional and cosmetic purposes.
- LIHTC Application submitted (6/2019)
- Subsidy conversion completed (6/2019)
- Window & lintel and asphalt roofing from CIP* funding completed (9/2019)
- LIHTC Application approved (10/2019)
- Final Financing Plan (11/2019)
- Closing on required debt** and equity sources (12/2019)
- Begin Construction (3/2020)
- Construction Complete (3/2022)
- HOC Guarantees Construction Debt and Ongoing Operations

Notes:

* Capital Improvements Program (“CIP”)

** Should HOC reach its volume cap for 2019 prior to issuance for Bauer Park, additional volume is available by working in partnership with the Maryland Community Development Administration (“CDA”) as the bond issuer. HOC participates as the Risk Share lender. This structure leverages volume cap and allows both parties to amicably split related fees to issuance.



Syndicator Offer Overviews

On December 17, 2018, staff solicited proposals from thirteen (13) LIHTC investors/syndicators to select an equity investor for Bauer Park and received from those requested, three (3) Letters of Interest (“LOI”).

| Letter of Interest Received | | | |
|---|------------------------|---------------------------------|----------------------------------|
| Bank of America/Merrill Lynch (BAML) | Boston Capital | Enterprise Community Investment | |
| Other Syndicators / Investors Solicited | | | |
| CAHEC | Citi Community Capital | Hudson Housing Capital | M&T Bank |
| PNC Financial Services Group | R4 Capital | Raymond James | RBC Capital Market Housing Group |
| Riverside Capital | Wells Fargo | | |

Since the presidential election of 2016 and the subsequent Tax Cuts and Jobs Act of 2017, the LIHTC market pricing has declined precipitously with transactions even in strong markets fetching \$0.90 to \$1.02 per credit (down from mid-to-high \$1.10s), reflecting a corporate tax rate of 21%.

Boston Capital offered the highest credit price at \$0.98, depreciation recovery period of 30 years and a relatively favorable equity pay-in schedule that yielded an estimated equity amount of \$10,009,268 which when discounted at 6%, returned a present value amount of \$8,595,461.

Enterprise offered the next best per credit price of \$0.965, depreciation recovery period of 30 years, low exit taxes, a slightly lower basis calculation but more favorable equity pay-in schedule that yielded an estimated equity amount of \$9,995,000 which when discounted at 6%, returned a present value amount of **\$8,769,844**.

BAML offered a per credit price of \$0.99, depreciation recovery period of 30 years but contingent on a Bank of America Construction Loan requirement. Also, the firm did not produce a detailed response related to exit taxes and overall structuring and therefore was considered an unresponsive bidder.

Syndicator Offer Overviews

Recommended Firm:



- Syndicator founded in 1984 and based in Columbia, MD.
- Enterprise Community Investment, Inc. finances, develops, and acquires housing and other community development initiatives in underserved neighborhoods in the U.S.
- Involved in financing nearly 529,000 multifamily apartment properties in 49 states and the District of Columbia.
- Recent Closings:
 - Building 9 / Mercy Magnuson Place (148 units), Seattle, WA
 - Golden Ring Apartments (153 units) Essex, MD
 - The Fallstead at Lewinsville (82 units) Senior Housing, McLean, VA
- **Equity NPV - \$9,995,000 (\$0.9650 with 30 yrs depreciation)**

*Community Reinvestment Act -more info at <https://www.fdic.gov/regulations/cra/>

Runners-up:

Boston Capital

- Syndicator founded in 1974
- Team has on average over 40 years of Housing Tax Credit experience and since 1987 with a track record that includes over \$11 billion of Housing Tax Credit investments on behalf of more than 88,000 investor clients.
- Approximately 3,530 properties located in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam, constituting over 222,600 apartment units with a development cost in excess of \$20.6 billion.
- Commission approved Boston Capital as the investor for Arcola Towers.
- **Equity NPV - \$10,009,268 (\$0.980 with 30 yrs depreciation)**



- Direct Investor under its Community Development Banking group. 30 years of experience and the nation's only bank-owned CDC.
- Multifaceted expertise capable of providing construction, permanent, tax-exempt bond, special bond, federal home loan bank, end-to-end taxable term, LIHTC, and historic tax credit, and New Markets tax credits financing.
- **Unresponsive**

Syndicator Offer Overviews

Summary of Letter of Intent

| Enterprise | |
|--|--|
| Pricing | \$0.97 |
| Depreciation | 30 years |
| Equity | \$10,876,987 |
| Pay-In Schedule (Capital Contributions) | 15.43% Closing |
| | 56.85% 50% Construction Completion |
| | 13.31% Completion/Cost Cert. |
| | 10.81% Rental Achievement |
| | 3.60% Receipt of IRS Form 8609 |
| Syndication Fee | Legal and 3 rd party cost reviews \$85,000 |
| Asset Mgt Fee | \$5,000 (\$35.21 per unit) |
| Development Fee Schedule | 30.00% \$1,080,388 (Closing) |
| | 30.00% \$1,080,388 (Rental Achievement) |
| | 30.00% \$1,080,388 (Stabilization) |
| | 10.00% \$360,129 (8609**) |
| | \$0 (Deferred Developer's Fee) |
| Operating Deficit Guarantee | \$1,390,000 |
| Exit Taxes | 15 yr. exit taxes estimated to be \$2.20 million |



- Enterprise has offered a per credit price of \$0.965 with a favorable payout schedule. The firm's representatives worked extensively with HOC staff to gain comfort with and to derive a viable transaction structure.
- By Rental Achievement (projected March, 2021), Bauer Park Apartments will have received approximately \$9.6 million LIHTC equity (96% of approx. \$9.95M).
- There will be exit taxes (estimated to be \$2.20 million) after the 15-year LIHTC compliance period.
- Upon Commission direction and in strict accordance with HOCs Investment Policy, Bauer can implement an *exit tax strategy* utilizing a portion of the excess sales proceeds in an annuity to cover the expense by the year its due.
- Limited and General Partners will be paid annual asset management fees each of \$5,000 with a 3% annual increase, payable from available cash flow in year one of credit delivery.
- Enterprise requires an operating reserve be funded in the total amount of at least 3 months of operating expenses, reserve contributions, and debt service and is currently scheduled to be \$519,891 for the duration of the compliance period.
- A lease up reserve of 72,000 is set aside to cover the projected deficits prior to the Stabilization Date as projected.

**Note: Actual dev. fee payout based on receiving 8609 may change in final and amended limited partnership agreement.

Syndicator Offer Overviews

| Category | Enterprise | | Boston Capital | |
|---|------------|--|----------------|--|
| <input type="checkbox"/> Pricing | | \$0.965 | | \$0.98 |
| <input type="checkbox"/> Depreciation | | 30 years | | 30 years |
| <input type="checkbox"/> Equity | | \$9,995,000 | | \$10,009,268 |
| <input type="checkbox"/> NPV @ 6.00% | | \$8,769,844 | | \$8,595,461 |
| <input type="checkbox"/> Pay-In Schedule (Capital Contributions) | 15.43% | At Closing | 15.00% | At Closing |
| | 56.85% | 50% Construction | 25.00% | Construction Completion |
| | 13.31% | Cert. of Occupancy | 41.00% | Qualified Occupancy |
| | 10.81% | Stabilization | 16.00% | Receipt of Form 8609 |
| | 3.60% | Form 8609 | 3.00% | Rental Achievement & Operating Reserve |
| <input type="checkbox"/> Syndication Fee | | \$100,000 | | \$50,000 |
| <input type="checkbox"/> Asset Mgt Fee | | \$5,000 (\$35.21 per unit) | | \$10,000 (\$70.42 per unit) |
| <input type="checkbox"/> Partnership Mgt Fee | | \$10,000 (\$70.42 per unit) | | \$10,000 (\$70.42 per unit) |
| <input type="checkbox"/> Amortization | | 30 Years | | 30 Years |
| <input type="checkbox"/> Development Fee Schedule | 30% | \$1,080,388 (at closing) | | Total Fee Projected: \$3,601,292 Schedule Not Specified |
| | 70% | \$2,520,905 (Certificates of Occupancy & 8609) | | |
| | 0% | Total Fee Earned: \$3,601,292 \$0 (Deferred Developer's Fee) | | |
| <input type="checkbox"/> Exit Taxes | Yr. 15 | \$2.2MM | | Not provided |

Exit Tax Strategy

Enterprise projects an exit tax payment to the property of \$2.2MM at the end of the compliance period, in year 15.

To prepare the Commission to cover this expense in the future, staff proposes the following structure to provide future funds necessary to pay for the exit tax.

Annuity Structure Options

Proposed Option

- Reserve approximately \$125,000 from cash flow and invest into an annuity structure.
- Rate of Return: 2.0% Compounded Annually (Conservative Assumption)
- Total Value in Year 15: \$2.20MM

Benefits of using an Annuity Structure:

- Savings grow at risk-free rate.
- Utilizes a portion of the cash flow and repayment of seller note for future savings.
- Does not require the Commission obligate another fund source, like the OHRF or a revolving line of credit.
- Dedicated availability of funds to offset capital calls at the end of the compliance period.

| Reserved Cash Flow to Repay Seller Note | |
|---|------------------------|
| Starting amount | \$0.00 |
| Years | 15 years. |
| Additional contributions | \$125,000.00 per year |
| Rate of return | 2% compounded annually |
| Total amount you will have contributed | \$1,875,000.00 |
| Total interest | \$329,910.65 |
| Total at end of investment | \$2,204,910.65 |

Previous Commission Actions

Previous Actions

- The Housing Opportunities Commission of Montgomery County (the “Commission”) seeks to preserve Montgomery County’s existing affordable housing including those subsidized by Rental Assistance Payment (“RAP”) contracts and Section 236 financing, facing growing sustainability challenges – most prominently, functional obsolescence and pervasive systems issues as a result of age.
- Resolution 15-53 – Authorization for the Executive Director to Enter into Consulting Contracts with Morrison Avenue Capital Partners and Censeo, Inc. for Development and Financing Services for Town Center Apartments and Bauer Park.
- Resolution 15-69R – Ratification of Authorization for the Executive Director to Enter into a Grant Agreement with Victory Crossing; Admit HOC as a Member in the Victory Crossing Owner’s General Partner; Negotiate a Letter of Intent (LOI) with VHI for the Development of Bauer Park Apartments as Incentive Fee for Holly Hall RAD Relocation Housing at Victory Crossing.
- Resolution 17-23 – Approval to Advance Funds from the Opportunity Housing Reserve Fund (OHRF) to Fund Predevelopment Expenses for Bauer Park, Town Center, and Stewartown Homes through the Submission of Low Income Housing Tax Credit Applications.
- Resolution 17-42 – Authorization to Contract for Alarm and Sprinkler Installation at Bauer Park and Approval to Advance Funds from the OHRF to Fully Fund the Contract
- Resolution 18-54 - Approval of Preliminary Development Plan and Funding for Bauer Park Apartments.
- Resolution 19-26 – Authorization to Select General Contractor for Window Replacement and Miscellaneous Repairs at Bauer Park Apartments in Accordance with IFB #2145

Current Requested Action

- Staff is requesting one final tranche of \$250,000 to cover all obligations associated with converting the subsidy and closing out the LIHTC application and legal work involved in both.

Summary and Recommendations

Issues for Consideration

Does the Commission wish to accept the recommendation of the Development and Finance Committee and approve:

1. The Final Development Plan for the conversion and renovation of Bauer Park Apartments; and
2. The selection of Enterprise as Low Income Housing Tax Credit Investor for the Bauer Park transaction and authorize the Executive Director to negotiate and enter into Limited the terms of a Partnership Agreement with Enterprise?

Budget/Fiscal Impact

There is no adverse impact for the Agency's FY 2019 budget. Predevelopment expenses of \$775,000 are paid back at the Closing in the third quarter of fiscal year 2020. The investment raises approximately \$9.7 million of tax credit equity for the renovation of Bauer Park. The Commission will earn Development fee of \$2,160,775 and Commitment Fees of \$414,000.

Time Frame

For action at the July 10, 2019 meeting of the Commission.

Committee Recommendation

The Development and Finance Committee met on May 24, 2019 and voted to advance this item to the full Commission for approval conditioned on the following: resubmit the most current solicitation package to the respondent syndicators/investors to obtain current terms sheets with full disclosures. The respondents were provided 10 business days to do so and submit best & final proposals. The updated responses are provided in the preceding pages.

The committee also voted to set aside future receipt of seller note payments to meet exit tax obligations at the end of the 15-year compliance period.

Summary and Recommendations

Staff Recommendation and Commission Action Needed

Staff recommends that the Commission accepts the recommendation of the Development and Finance Committee and approve:

1. The Final Development Plan for the construction of HOC Upton Development:
 - Total Development Cost is projected to be \$37,670,000.
 - The total units to be renovated are 142 and will serve households with incomes at or below 60% of the AMI providing significant public purpose for the Commission and the County.
 - Authorize the Executive Director to execute Operating Agreements with Victory Housing Inc. for the implementation of the renovation and stabilization.
2. Staff's recommendation to select Enterprise as Low Income Housing Tax Credit Investor for the Bauer Park Apartments transaction and authorize the Executive Director to negotiate Limited Partnership Agreement with Enterprise.
3. Staff also recommends approval of additional predevelopment funding of \$250,000 to be funded from the Commission's OHRF which had an unobligated balance of \$4,587,377 as of April 30, 2018.
4. Staff proposes that repayment of the seller note be reserved to pay for the exit taxes post compliance.

RESOLUTION No.: 19-76

RE: Approval of the Final Development Plan for Bauer Park Apartments, Approval to Select Enterprise Community Partners as the Tax Credit Investor for Bauer Park and Authorization for the Executive Director to Negotiate and Execute an Operating Agreement with Enterprise

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”) seeks to preserve Montgomery County’s existing affordable housing, including those subsidized by Rental Assistance Payment (“RAP”) contracts and Section 236 financing; and

WHEREAS, Bauer Park Apartments (the “Property”), located at 14635/39/43 Bauer Drive, consists of 142 units in three (3) buildings on 3.88 acres of land on the southeast corner of the intersection of Bauer Drive and Norbeck Road in Rockville, MD; and

WHEREAS, the Property was originally built in 1977 under the Section 236 Program and is owned by Banor Housing, Inc., a non-profit corporation that is managed by a Policy Board (the “Policy Board”); and

WHEREAS, on March 14, 2019, the Policy Board approved the terms of a Purchase and Sale Agreement to sell the Property to Bauer Park Apartments, LP (“Bauer LP”); and

WHEREAS, On August 5, 2015, HOC passed Resolution 15-69 approving the core terms of the Letter of Intent with Victory Housing, Inc. (“VHI”) for development services related to the renovation of the Property; and

WHEREAS, HOC is the 79% managing member of Bauer Park Apartments, LLC (“Bauer LLC”), which is the managing general partner of Bauer LP, and VHI is the 21% non-managing member of Bauer LLC; and

WHEREAS, On April 5, 2017, HOC passed Resolution 17-23 approving the advance of \$850,000 in aggregate from the Opportunity Housing Reserve Fund (“OHRF”) to reimburse VHI for predevelopment costs as they are incurred to prepare and submit tax credit applications for the Property for up to \$350,000; and

WHEREAS, On July 11, 2018, HOC passed Resolution 18-54 approving the Preliminary Development Plan for the Property and authorized an additional \$100,000 for predevelopment funding for costs as they are incurred to prepare and submit tax credit applications for the Property; and

WHEREAS, staff has prepared the Final Development Plan for the Property identifying additional predevelopment costs of \$250,000 and a total development cost of approximately \$40 million to be funded with HOC-issued FHA-insured tax-exempt bonds, County CIP, 4% Low Income Housing Tax Credit (“LIHTC”) equity, a seller note, and acquired replacement reserves (the “Final Development Plan”).

WHEREAS, HOC and Bauer LP expect to receive a Letter of Reservation of Federal Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development; and

WHEREAS, after soliciting investment proposals from the top LIHTC syndicators and investors, HOC received three proposals; and

WHEREAS, after review of the submissions and further inquiries of the investors, Enterprise Community Partners (“Enterprise”) has been determined to be the strongest LIHTC investor among the respondents; and

WHEREAS, HOC intends to negotiate an amended and restated operating agreement with Enterprise for the admission of an affiliate of Enterprise as a non-managing investor member of Bauer LP, with HOC remaining in control of Bauer LP as the managing member of Bauer LLC.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Final Development Plan for the rehabilitation of the Property is hereby approved, which includes an estimated total development cost of up to \$40 million, the delivery of 142 apartment units that will serve seniors 62 years and older, and the restriction of 100% of the units to those earning at or below an income averaged 60% of the area median income.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Bauer LLC, as its managing member, acting on behalf of itself and on behalf of Bauer LP, as its managing general partner, that it approves the negotiation and execution of an Operating Agreement with VHI of Bauer LP to memorialize the same.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Bauer LLC, as its managing member, acting on behalf of itself and on behalf of Bauer LP, as its managing general partner, that it approves (1) the selection of Enterprise as the LIHTC investor, (2) the admission of an affiliate of Enterprise as the non-managing investor member of Bauer LP, and (3) the negotiation and execution of an Amended and Restated Operating Agreement of Bauer LP to memorialize the same.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County is authorized to incur up to Two Hundred Fifty Thousand Dollars (\$250,000) in additional predevelopment costs, which shall be funded from the OHRF and reimbursed at closing with any excess sales proceeds.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County acting on behalf of itself and on behalf of Bauer LLC, as its managing member, acting on behalf of itself and on behalf of Bauer LP, as its managing general partner, that it approves the acquisition of the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting on behalf of itself and on behalf of Bauer LLC, as its managing member, acting on behalf of itself and on behalf of Bauer LP, as its managing general partner, that the Executive Director is authorized, without any further action on their respective parts, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein, including the execution of any documents related thereto.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

**APPROVAL TO WITHDRAW EXCESS YIELD FUNDS UNDER THE
MULTIFAMILY HOUSING DEVELOPMENT BOND RESOLUTION AND
TO MAKE CAPITAL CONTRIBUTION TO GEORGIAN COURT TO FUND
CAPITAL EXPENDITURES AND TO APPROVE SELECTION OF
EDGEWOOD MANAGEMENT COMPANY, PROPERTY MANAGER TO
PROJECT MANAGE THE PROPOSED CAPITAL IMPROVEMENTS
UTILIZING THE EXCESS YIELD FUNDS.**

**GEORGIAN COURT
APARTMENTS**



Stacy L. Spann, Executive Director

**Kayrine Brown
Zachary Marks
Marcus Ervin**

July 10, 2019

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Executive Summary



The issuance of tax-exempt private activity bonds is subject to yield restrictions such that the yield on the mortgage loans cannot be more than 1.50% higher than the yield on the bonds (“full spread”) issued to finance multifamily transactions. If there is yield in excess of 1.50%, one of the ways to reduce the mortgage yield is to make a cash contribution to a project financed with such bonds.

The Commission issued \$24,230,000 of tax-exempt private activity bonds in 2012 (the “2012 Series C Bonds”) under the Multifamily Housing Development Bond Resolution (the “1996 Indenture”). The Bonds, in part, refunded the 2000 Series B Bonds that financed the acquisition, rehabilitation and equipping of Georgian Court Apartments, which was also supported by the use of Low Income Housing Tax Credit (“LIHTC”) equity proceeds.

The Commission frequently uses the practice of economic refunding of its higher priced bonds to lower the underlying cost of funds while keeping the mortgage in place. The benefit to the Commission is the strengthening of its indentures by creating wealth from the increased spread between the bond payments to bondholder and the mortgage payments it receives from its borrowers. The 2012 Series C Bonds refunded two Series of Bonds issued between 1998 and 2002. When projects funded under a common plan of finance have positive arbitrage above full spread, they may be offset with properties funded under the same plan that are under full spread, thereby achieving yield compliance. However, if the overall plan is above full spread a cash payment equivalent to the excess yield may be given to the property to fund capital expenditures.



Executive Summary

The two Series of Bonds that originally funded Georgian Court, Manchester Manor, The Willows, Stewartown Homes, MHLP X (scattered sites), and Shady Grove Apartments were all refunded with the 2012 Series A Bonds. All were LIHTC developments and the limited partners' interests have been purchased by the Commission, but for Georgian Court Apartments. Therefore, any excess yield must be given to Georgian Court to reduce the mortgage yield.

**Multifamily Housing Development Bonds
2012 C Excess Yield Adjustment**

| Rebate to Georgian Court | |
|-------------------------------------|----------------|
| <u>Original mortgage</u> | |
| (a) Mortgage amount | \$4,347,688.65 |
| (b) Mortgage rate | 6.20% |
| <u>Adjusted mortgage rate</u> | |
| (b) Original mortgage rate | 6.20% |
| (c) Less reduction in mortgage rate | 3.31% |
| (d) Adjusted mortgage rate | 2.89% |
| <u>Adjustments to mortgage</u> | |
| (e) Current monthly payment | \$43,494.15 |
| (f) Less monthly payment reduction | (\$7,100.00) |
| (g) Monthly payment after reduction | \$36,394.15 |

Executive Summary

The excess yield is calculated based on IRS regulations and commence on the date that the excess yield occurs through to the date by which the bonds are paid off in the future; therefore, as time passes the excess yield grows. HOC is currently negotiating the exit from the current LIHTC partnership; therefore, the funds must be withdrawn and contributed timely to Georgian based on the anticipated prepayment date.

On July 13, 2018, the Commission authorized a draw on the PNC Bank, N.A. Real Estate Line of Credit to prepay the mortgages. The mortgage may be prepaid at any time now and once that prepayment occurs, the bonds may be redeemed. However, upon the advice of bond counsel, once buyback of the limited partner's interest is completed, the bonds automatically convert from private activity to governmental bonds and the tax exempt nature of the bonds is not impacted; therefore, can remain outstanding. HOC will not need to redeem the bonds immediately but must do so prior to cancellation of the FHA mortgage insurance for the resyndication of the transaction, which is expected to occur in calendar year 2020.

With Commission approval herein requested, staff proposes to withdraw funds from the 1996 Indenture in an amount equivalent Excess Yield Amount calculated for the date that such funds are withdrawn and shown in the table "Future Value of Yield Adjustment".

Future Value of Yield Adjustment

| Bond Prepayment Date | Excess Yield Amount |
|----------------------|---------------------|
| 1/1/2019 | \$627,361 |
| 2/1/2019 | \$636,925 |
| 3/1/2019 | \$646,526 |
| 4/1/2019 | \$656,166 |
| 5/1/2019 | \$665,843 |
| 6/1/2019 | \$675,558 |
| 7/1/2019 | \$685,311 |
| 8/1/2019 | \$695,103 |
| 9/1/2019 | \$704,933 |
| 10/1/2019 | \$714,802 |
| 11/1/2019 | \$724,709 |
| 12/1/2019 | \$734,656 |

Georgian Court – Year 15 Summary



The Housing Opportunities Commission of Montgomery County (“HOC”) is the general partner in four limited partnerships in which affiliates of M&T Bank (“M&T”) are the limited partners: Strathmore Court Associates Limited Partnership (“Strathmore Court”), Metropolitan of Bethesda Limited Partnership (“Metropolitan”), Georgian Court Silver Spring Limited Partnership (“Georgian Court”), and Barclay One Associates Limited Partnership (“Barclay”). HOC has negotiated a purchase price of \$750k for the LP interest buyback for the four (4) communities.

Georgian Court Apartments, located at 3600 Bel Pre Road in Silver Spring was constructed in 1976, and is located on 6.75 acres. The property contains a total of 147-units within 13 all-brick garden-style apartment structures ranging from 3-4 stories in height.

Each unit has a traditional floorplan layout, fully-equipped kitchen, operable window in the living room, and a walk-in closet within the owner’s room. Property amenities include a tot lot, grilling stations, and walking paths. A community room/leasing center is located at the entrance of the site. Staff is in the process of working with its architect in connection with the larger resyndication effort.

| Georgian Court | |
|---------------------------------------|----------------|
| Restricted Units | 147 |
| Uses | |
| Acquisition Cost | \$ 297,170 |
| Year 15 Consultant Fees | \$ 66,150 |
| Total | |
| Cash on Hand | |
| Cash and Cash Equivalents (2018 Bal.) | \$ 1,037,149 |
| Total | \$ 1,037,149 |
| Net Operating Income | |
| Total Operating Revenue | \$ 2,080,847 |
| Operating Expenses | \$ (1,034,011) |
| Net Operating Income | \$ 1,046,835 |

| | |
|--|--------------|
| LP Senior Debt Outstanding as of February 28, 2019 | \$ 2,593,237 |
| Net Operating Income | \$ 1,046,835 |
| Debt Service (ex. County & HOC Loan) | \$ 348,279 |
| Debt Service Coverage Ratio | 3.01 |

| | |
|--------------------------------|--------------|
| County Loan | \$ 1,534,599 |
| HOC Long Term | N/A |
| Intercompany b/t Dev Corp & LP | N/A |
| Total | \$ 1,534,599 |

Proposed Use of Funds

Staff is currently processing the Georgian Court transaction for 1) the purchase of investor limited partner interest from M&T, 2) re-syndication of the development into a new LIHTC owner, and 3) implementing a rehabilitation plan for the development.

The scope of work includes the repair and replacement of existing building architectural systems and components, parking surface areas, landscaping and site lighting upgrades. More specifically, the work entails replacement of all windows and sliders totaling approximately 1,288 openings in aggregate, resurfacing of the asphalt parking areas, site lighting upgrades to LED fixtures, minor brick re-pointing, and roof and drainage replacement, which can be completed with the excess yield proceeds and the costs qualify as eligible for inclusion in the LIHTC basis for the property. The estimated cost for the proposed work is \$712,000, detailed to the right:

| COMPONENT | COST (\$) | COMMENTS |
|------------------------------|-------------------|---|
| Architectural Systems | | |
| Windows & Sliders | \$ 252,000 | 717 Windows & 515 Openings |
| Subtotal | \$ 252,000 | |
| Building Exterior | | |
| Brick Repointing | \$ 75,000 | Repointing of 20% of overall surface area |
| Subtotal | \$ 75,000 | |
| Roof Systems | | |
| Roof Covering | \$ 213,100 | Remove & replace asphalt shingles (13) bdgs inclu. Leasing office |
| Roof Drainage | \$ 15,100 | Replacement of aluminum gutters & downspouts |
| Subtotal | \$ 228,200 | |
| Surface | | |
| Parking Lot | \$ 140,000 | Asphalt repaving |
| Sidewalks | \$ 5,000 | Repairs to concrete paved walkways |
| Retaining Walls | \$ 6,000 | Repair to retaining wall |
| Site Lighting | \$ 6,000 | Replacement of lighting to LED fixtures |
| Subtotal | \$ 157,000 | |
| Grand Total | \$ 712,200 | |

Proposed Capital Improvement Work



Project Management

Management Company Role

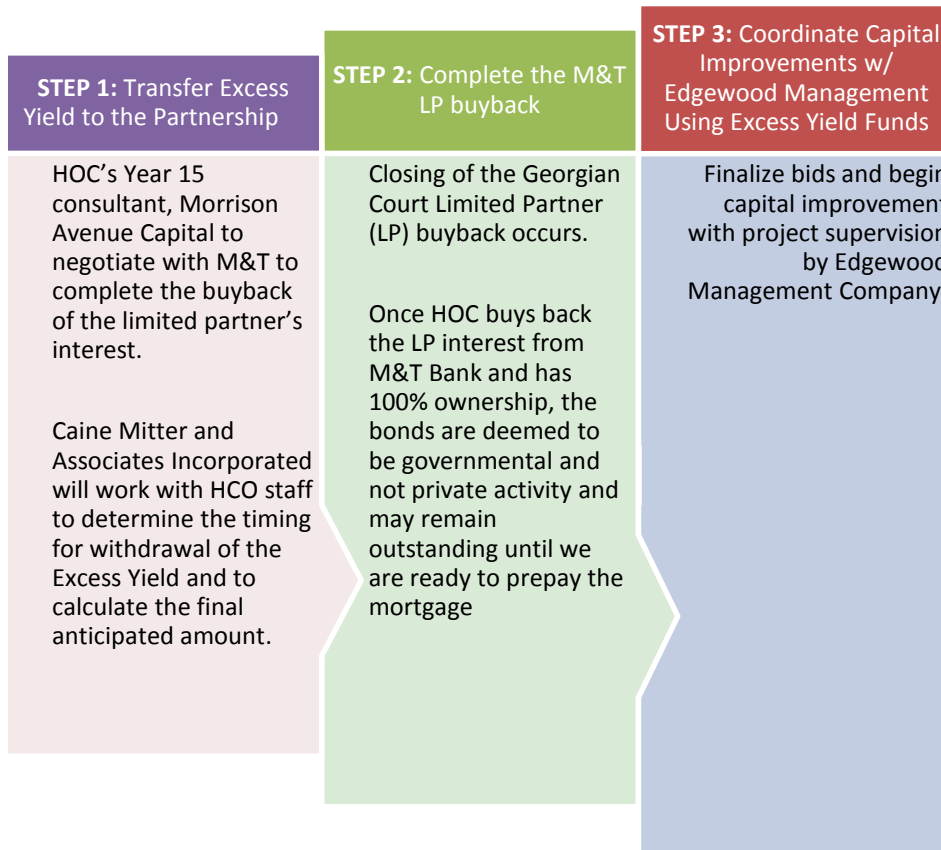
Georgian Court is currently managed by Edgewood Management Company (“EMC”). The current management contract allows EMC to contract for capital improvement projects with subject to review and approval by HOC. Therefore, for expediency, staff proposes that EMC solicits at least three bids for each aspect of the work to be completed by qualified contractors and to compensate EMC 3.5% or approximately \$21,500 for management of the work.

The proposed work is expected to last approximately five (5) months and completed by Q4 2019.

Staff expects to reach an agreement with the M&T Bank to exit the LIHTC transaction by June 30, 2019, or shortly thereafter. Once the buyback is complete, staff will resume its work to obtain Commission approval of a final development and financing plan to repay outstanding indebtedness and fund the rehabilitation of the property in calendar year 2020.



Proposed Schedule



Summary and Recommendations

Issues for Consideration

Does the Commission wish to take the following actions:

1. Approve the withdrawal excess yield funds from the 1996 Indenture and to contribute said funds to Georgian Court Limited Partnership as a Capital Contribution?
2. Acting for itself and as general partner of Georgian Court Silver Spring Limited Partnership, approve utilizing the excess yield funds to fund the repair and replacement of existing building architectural systems and components, parking surface areas, landscaping, and site lighting upgrades at the Property, currently estimated to be \$713,000?
3. Authorize staff to engage EMC to procure for services and supervise the completion of the capital projects herein discussed that will be paid for from Excess Yield proceeds and that EMC shall be paid 3.5% or \$21,500 for said services?

Time Frame

For action at the July 10, 2019 meeting of the Commission.

Budget /Fiscal Impact

There is no direct impact on the agency's fiscal 2019 operating budget.

Staff Recommendation and Commission Action Needed

At the May 24, 2019 meeting of the Development and Finance Committee considered staff's request and voted to advance the issues to the full Commission. Staff requests that the Commission accept the recommendation of the Development and Finance Committee and:

1. Approve the withdrawal excess yield funds from the 1996 Indenture and to contribute said funds to Georgian Court Limited Partnership as a Capital Contribution.
2. Acting for itself and as general partner of Georgian Court Silver Spring Limited Partnership, approve utilizing the excess yield funds to fund the repair and replacement of existing building architectural systems and components, parking surface areas, landscaping, and site lighting upgrades at the Property, estimated to be \$713,000
3. Authorize staff to engage EMC to procure for services and supervise the completion of the capital projects herein discussed that will be paid for from Excess Yield proceeds and that EMC shall be paid 3.5% or \$21,500 for said services.

RESOLUTION NO.: 19-77

RE: Approval to Withdraw Excess Yield Funds Under the Multifamily Housing Development Bond Resolution and to Make a Capital Contribution to Georgian Court to Fund Capital Expenditures and to Approve Selection of Edgewood Management Company, Property Manager to Project Manage the Proposed Capital Improvements Utilizing the Excess Yield Funds

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”), is the general partner of Georgian Court Silver Spring Limited Partnership, the owner of Georgian Court Apartments (the “Property”); and

WHEREAS, the Commission issued \$24,230,000 of tax-exempt private activity bonds in 2012 (the “2012 Series C Bonds”) under the Multifamily Housing Development Bond Resolution (the “1996 Indenture”), which in part refunded the 2000 Series B Bonds that funded the acquisition, rehabilitation, and equipping of the Property; and

WHEREAS, the issuance of tax-exempt private equity bonds is subject to yield restrictions such that the yield on the mortgage loans cannot be higher than 1.50% than the yield on the bonds issued to finance multifamily transaction; and

WHEREAS, when yield in excess of 1.50% exists as a result of the issuance of tax-exempt private activity bonds, a cash contribution to a project financed with such bonds can be made to maintain yield compliance; and

WHEREAS, HOC staff requests approval to withdraw excess yield funds from the 1996 Indenture and to contribute said funds to Georgian Court Silver Spring Limited Partnership; and

WHEREAS, HOC staff proposes utilizing the excess yield to fund capital improvements, including the repair and replacement of existing building architectural systems and components, parking surface areas, landscaping and site lighting upgrades at the Property estimated at \$713,000; and

WHEREAS, staff recommends that the project be managed by the third-party property manager for the Property, Edgewood Management, for a fee estimated to be 3.5% of the total proposed work, or \$25,000, for a total project cost of \$738,000.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it approves the withdrawal of excess yield funds from the 1996 Indenture such that the 2012 Series C Bonds may be yield compliant in the meaning of the Internal Revenue Code and the contribution of said funds to Georgian Court Silver Spring Limited Partnership as a capital contribution.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County, acting for itself and as general partner of Georgian Court Silver Spring Limited Partnership, that it approves utilizing the excess yield funds to fund the repair and replacement of existing building architectural systems and components, parking surface areas, landscaping, and site lighting upgrades at the Property, estimated to be \$713,000.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County, acting for itself and as general partner of Georgian Court Silver Spring Limited Partnership, approves the selection of Edgewood Management Company, the third-party property manager of the Property, to manage the proposed work for a fee estimated at 3.5% of the total cost, or \$25,000, for a total project cost of \$738,000, but that the total project may increase to fund additional capital improvements based on the month in which the excess yield proceeds are withdrawn.

BE IT FURTHER RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Housing Opportunities Commission of Montgomery County at an open meeting conducted on July 10, 2019.

Patrice M. Birdsong
Special Assistant to the Commission

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Deliberation and/or Action

APPROVAL OF A NEW BOND RESOLUTION PROVIDING FOR THE CREATION OF A NEW GENERAL TRUST INDENTURE TO FINANCE MULTIPLE PROGRAMS OF THE HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY; APPROVAL OF STRUCTURE, COST OF ISSUANCE BUDGET, AND ADOPTION OF SERIES INDENTURES FOR THE ISSUANCE OF 2019 SERIES A, 2019 SERIES B AND 2019 SERIES C PROGRAM REVENUE BONDS FOR THE PURPOSE OF ISSUING DEBT TO REIMBURSE THE COMMISSION FOR EXPENDITURES INCURRED UNDER THE PROGRAM

July 10, 2019

- The Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) is authorized to issue tax-exempt bonds to finance single family loans, multifamily loans, and to finance or reimburse the Commission for capital expenditures related to said purposes (the “Bond Program”).
- The General Trust Indenture will be a new multiple program indenture, which allows for the issuance of taxable or tax-exempt bonds to finance the Commission’s Bond Program. The bonds may be: (a) private activity bonds, which require volume cap, that directly fund privately owned rental housing and first-time homebuyer single family mortgage loan; or (b) governmental bonds that finance or reimburse capital expenditures of HOC.
- Under the General Trust Indenture, when governmental bonds are issued to finance or reimburse HOC for the incurrence of capital expenditures, other funds are then made available to fund its Bond Program purposes.
- The first issuance of Bonds under the new General Trust Indenture is expected to be up to \$46 million and will contain one or more series of bonds, consisting of approximately \$16 million of refunding bonds and approximately \$30 million of governmental bonds to reimburse the Commission for funds used to finance a portion of the costs of Cider Mill Apartments, a multifamily development owned by the Commission.
- Caine Mitter and Associates Incorporated (“CMA”) will be Financial Advisor, and the co-senior managers will be Bank of America Merrill Lynch and Jefferies LLC with co-managers selected from the Commission’s authorized list of co-managers.
- Kutak Rock LLP will serve as bond counsel.
- The Cost of Issuance (“COI”) is expected to be approximately \$650,000.
- Staff recommends that the Commission approve a new Bond Resolution creating the new General Trust Indenture, as described, and approve the structure, COI budget and Series Indentures for the first 2019 bond issuance under the new General Trust Indenture.

To execute under this structure, Kutak Rock has recommended the creation of a General Trust Indenture to facilitate the issuance of governmental bonds that would provide the Commission flexibility in funding other housing finance programs, as needs arise.

The General Trust Indenture (“GTI”) is a multiple program indenture, which authorizes the Commission to issue taxable or tax-exempt bonds or other evidences of indebtedness to finance homeownership programs and rental housing programs or to finance or reimburse the related Commission’s capital expenditures. The bonds issued under the GTI will be revenue bonds, and may be private activity bonds or governmental bonds. The bonds will be secured by rental housing and/or single family home mortgage loans. The GTI authorizes the issuance of new money and refunding bonds. It is a parity indenture, but subordinate bonds are authorized to be issued. Individual bond issues will be issued via supplemental indentures, which establish funds and accounts as may be necessary for the individual bond issuances.

Rating

Moody’s Investors Service (“Moody’s”) will be presented with a draft of the trust indenture which has been prepared by the Commission’s Bond Counsel and is expected to issue a rating before the first bonds are sold. The expected rating for the General Trust Indenture will be at least Aa2. To achieve the required program asset to debt ratio (“PADR”) to support cash flows to achieve the desired rating, cash will be transferred from the Single Family Mortgage Revenue Bond Resolution (the “1979 Resolution”), which has sufficient funds available for this purpose. The Commission’s financial advisor will work with staff to establish the total funds to be transferred to satisfy Moody’s requirements.

Trustee

A new bond resolution requires the appointment of a trustee to administer it on behalf of the bondholders. Staff will solicit bids from three (3) banks: Wells Fargo Bank, N.A., US Bank Corporate Trust Services and The Bank of New York Mellon Trust, N.A. All three banks have trust departments and possess the staffing and experience to serve as trustee under this new resolution, but the recommendation will be based on price.

First Bond Issuance – Structure

The bond issue will be comprised of approximately \$16 million in private activity refunding bonds and approximately \$30 million in governmental new money bonds, resulting in a total issuance of approximately \$46 million. The proceeds of the refunding bonds will be used to refund various series of bonds in whole or in part, currently outstanding under the 1979 Resolution and the Single Family Housing Revenue Bond Resolution (together with the 1979 Resolution, the “Prior Resolutions”) and repay certain prior draws on the PNC Bank Line of Credit. The governmental bonds will reimburse the Commission for funds used to finance a portion of the costs of Cider Mill Apartments, a multifamily development owned by the Commission.

- New money governmental bonds (Non-AMT): \$30 million
- Private activity refunding bonds (Non-AMT, AMT and/or taxable): \$16 million

The structure will contain one or more series of bonds (the current expectation is three series). The bonds will consist of serial and term bonds issued at par or at a premium. A portion of the bonds will be non-AMT, and a portion of the bonds will be AMT and/or taxable. The final maturity of the bonds will be on or before 7/1/2051.

No volume cap will be necessary for this transaction; all of the new money bonds will be governmental bonds and all of the private activity bonds will be refunding bonds.

HOC will directly contribute single family mortgage loans, cash and other investments that are eligible to be released from the Prior Resolutions needed to provide sufficient collateral for the bonds.

Cost of Issuance Budget

The Cost of the Issuance (“COI”) is estimated to be \$650,000 (\$14.52 per \$1,000 bond) and will be paid from revenue contributed from the 1979 resolution prior to closing. The amount of the COI is commensurate with the size of the overall issue. Please see attached the detailed estimated COI budget.

Series Indentures for 2019 Series A, 2019 Series B and 2019 Series C

For each bond issue, the Commission is asked to approve one or more Series Indentures which contain specific information about the series of bonds being issued. A Series Indenture authorizes the issuance of a particular series of bonds stating, among other things:

- The bonds’ purpose;
- Appointment of Trustee;
- Redemption provisions;
- Creation of certain accounts;
- Use of the bond proceeds.

Kutak Rock will prepare a Series Indenture for each series of bonds. Interest rate information will be provided when the bonds are priced (currently expected to occur in July 2019). The bonds are anticipated to close in August 2019.

ISSUES FOR CONSIDERATION:

Should the Commission approve the creation of a new trust indenture that permits the issuance of bonds to finance its multiple programs that enable HOC to meet its affordable homeownership and multifamily rental housing goals?

Should the Commission approve the structure, cost of issuance budget and adopt the series indentures for the first 2019 issuance of bonds under the new General Trust Indenture?

PRINCIPALS:

HOC
Kutak Rock, LLP, Bond Counsel
Caine Mitter & Associates Incorporated, Financial Advisor
Bank of America Merrill Lynch, Co-senior Manager
Jefferies LLC, Co-senior Manager

BUDGET IMPACT:

There is no impact on the current HOC operating budget.

TIME FRAME:

For action at the July 10, 2019 regular meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Housing Opportunities Commission of Montgomery County approve the creation of the General Trust Indenture that permits the issuance of bonds to finance multiple programs of the Housing Opportunities Commission of Montgomery County and enables HOC to meet its affordable homeownership and multifamily rental housing goals.

Staff also recommends that the Housing Opportunities Commission of Montgomery County approve the structure and cost of issuance budget, and adopt the series indentures for the first issuance of bonds under the General Trust Indenture.

Staff further recommends that Housing Opportunities Commission of Montgomery County approves the transfer of funds from the 1979 Resolution to the General Trust Indenture for purposes of establishing the General Trust Indenture and obtaining the required rating by Moody's.

GENERAL INDENTURE OF TRUST

By and Between

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

and

[TRUSTEE]

Dated as of August 1, 2019

Securing:

Program Revenue Bonds

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THIS GENERAL INDENTURE OF TRUST, dated as of August 1, 2019 (this “**General Indenture**”), by and between the **HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**, a public body corporate and politic created pursuant to the laws of the State of Maryland (the “**Commission**”), and [TRUSTEE], duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of [the United States of America], with a trust office located in [_____], as trustee (the “**Trustee**”).

WITNESSETH:

WHEREAS, the Commission is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the “**Housing Authorities Law**”) and the Memorandum of Understanding between the Commission and Montgomery County, Maryland, effective as of June 29, 2018 (the “**MOU**,” and together with the Housing Authorities Law, the “**Act**”); and

WHEREAS, pursuant to the Act, for the purpose of facilitating the development of a sufficient supply of decent, safe and sanitary single family residential housing and multifamily rental housing in Montgomery County, Maryland (the “**State**”), at prices affordable by persons who individually or as part of a family unit lack sufficient income or assets to enable them without financial assistance to live in decent, safe and sanitary dwellings without overcrowding, the Commission is authorized, *inter alia*: (a) to make mortgage loans and rent subsidy payments to persons of eligible income, (b) to make construction loans and long-term mortgage loans to any person to produce housing for persons of eligible income; (c) to purchase mortgages secured by housing for persons of eligible income; (d) to enter into development agreements as may be necessary or convenient, provided that such development agreements satisfy and comply with the provisions of the Act; (e) to contract to furnish services, consultation, advice and assistance to other housing authorities or other person sin our outside the State to assist in developing, managing, renovating, or constructing housing as described above; (f) to issue bonds, notes or other evidences of indebtedness as authorized under Section 12-701 of the Housing Authorities Law; (g) to secure any of its bonds by pledging any revenue or mortgage to a housing project or other property of the Commission; and (h) to take other actions necessary or convenient to carry out and effectuate the purposes and provisions of the Housing Authorities Law; and

WHEREAS, the Commission has determined that it is in the public interest to implement one or more rental housing and/or homeownership programs (collectively, the “**Program**”) and to finance such Program through the issuance of its Program Revenue Bonds (as more fully described herein, the “**Bonds**”); and

WHEREAS, all things necessary to make such Bonds when issued and authenticated by the Trustee as in this General Indenture provided, the valid, binding and legal obligations of the Commission according to the import thereof and to constitute this General Indenture a valid pledge and assignment of the assets and revenues securing the payment of the bonds to be issued hereunder and the creation, execution and delivery of this General Indenture have been done or performed; and

WHEREAS, the Trustee has accepted the trusts created by this General Indenture and in evidence thereof has joined in the execution hereof.

NOW, THEREFORE, the Commission, 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 to be issued hereunder by the holders and owners thereof, and in order to secure the payment of the principal of, premium, if any, and interest on the Bonds and other obligations described herein according to their respective tenor and effect and the performance and observance by the Commission of all the covenants expressed or implied herein and in the Bonds and other obligations described herein, does hereby, on the terms herein provided and subject to the provisions hereof permitting the application of amounts held hereunder and the exercise of the rights in connection with certain properties, pledge and assign unto, and grant a security interest in and to, the Trustee, and its respective successors in trust and their respective assigns, forever, for the securing of the performance of the obligations of the Commission hereinafter set forth, all right, title and interest of the Commission, now or hereafter acquired, in and to the Trust Estate (hereinafter defined).

TO HAVE AND TO HOLD the same (in accordance with and subject to the provisions of this General Indenture) whether now owned or hereafter acquired, unto the Trustee and its respective successors and assigns in trust forever;

IN TRUST NEVERTHELESS, upon the terms and trust herein set forth for the equal and proportionate benefit, security and protection of all present and future holders and owners of any and all the Bonds and other obligations described herein, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, privilege, priority or distinction of any of the Bonds and other obligations over any other thereof;

PROVIDED, HOWEVER, that if the Commission, its successors or assigns, shall pay, or cause to be paid, the principal of, premium, if any, and 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, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon (or such amount as will with investment income thereon equal such entire amount as provided in Article XIII hereof), and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this General Indenture to be kept, performed and observed by it, shall pay all other obligations described herein, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions therefor as provided herein, this General Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this General Indenture to be and remain in full force and effect.

THIS GENERAL INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interest, including, without limitation, the amounts and property hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms and conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Commission 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, or any part thereof, as follows:

ARTICLE I

DETERMINATIONS, DEFINITIONS AND INTERPRETATION

SECTION 101. Definitions. In this General Indenture, unless a different meaning clearly appears from the context, the following terms have the following respective meanings:

Act: collectively, Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law and the Memorandum of Understanding between the Commission and Montgomery County, Maryland, effective as of June 29, 2018.

Commission: the Housing Opportunities Commission of Montgomery County, a public body corporate and politic organized and existing under the laws of the State, or any body, issuer or instrumentality which shall hereafter succeed to the powers, duties and functions of the Commission.

Auditor's Opinion: an opinion signed by any certified public accountant or firm of certified public accountants (who may be the accountant or firm that regularly audits the books and accounts of the Commission) from time to time selected by the Commission as required by Section 5.06(B) hereof or as may be required in any Supplemental Indenture or Series Indenture.

Authorized Newspapers: one or more newspapers printed in the English language, one of which is generally circulated in the State.

Authorized Officer: the Chairman, the Vice Chairman, or the Chairman Pro Tem, and the Executive Director of the Commission, or any duly appointed and authorized designee of the Executive Director, acting in each case pursuant to a duly adopted resolution of the Commission specifically authorizing the act in question.

Bond: any Bond authorized under this General Indenture and issued pursuant to a Series Indenture.

Bondholder or Holder: the registered owner of any Outstanding Bond or Bonds.

Cash Flow Certificate: an Officer's Certificate meeting the requirements of Section 510 hereof.

Cash Flow Test: projected annual Revenues sufficient to pay projected Program Expenses and scheduled Interest Requirements and Principal Requirements, all as set forth in a Cash Flow Certificate pursuant to Section 510 hereof.

Code: the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder; each reference to a Section of the Code herein shall be deemed to include the United States Treasury regulations proposed or in effect thereunder and applied to the Bonds or

the use of the proceeds thereof, and also includes all amendments and successor provisions unless the context clearly requires otherwise.

Continuing Disclosure Agreement: an undertaking of the Commission to disclose material information relating to the Bonds to Bondholders on an ongoing basis to the extent such undertaking is requirement by law.

Cost of Issuance: all items of expense payable or reimbursable directly or indirectly by the Commission and related to the authorization, sale and issuance of Bonds and carrying out the Program.

Counsel's Opinion: an opinion signed by any attorney or firm of attorneys (who may be employed by or of counsel to the Commission or an attorney or firm of attorneys retained by it in other connections) licensed to practice in the state in which he or it maintains an office, selected or employed by the Commission and satisfactory to the Trustee.

Credit Facility: a letter of credit, standby bond purchase agreement, bond insurance policy, credit commitment, line of credit, guaranty, surety bond or other credit facility, issued by (a) a state chartered banking corporation, national banking association or other financial institution, (b) any insurance company or (c) a governmental entity, provided that, in each case, such facility will not adversely affect the then-current rating on the Bonds.

Depository: each financial institution appointed pursuant to Section 1101 to act as depository, and any successor thereof designated by or pursuant to Article XI.

Executive Director: the Executive Director of the Commission.

Fair Market Value: the fair market value of property determined by a qualified appraiser acceptable to the Commission.

Fiduciary or Bond Service Provider: the Trustee, a Depository or a Paying Agent.

Fiscal Year: the period of twelve (12) calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year.

Freddie Mac: the Federal Home Loan Mortgage Corporation.

Funds and Accounts: Funds and Accounts, including any subaccounts, established pursuant to this General Indenture, any Supplemental Indenture or any Series Indenture.

General Indenture: this General Indenture of Trust, dated as of August 1, 2019, as it may from time to time be amended, modified or supplemented as herein provided.

Ginnie Mae: the Government National Mortgage Association.

Governmental Obligations: (a) direct obligations of the United States of America, and (b) obligations the timely payment of the principal of, and interest on, which is fully and unconditionally guaranteed by the United States of America, and (c) securities or receipts

evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (a) or (b).

Guaranteed Mortgage Security: mortgage backed securities or participations in mortgage backed securities guaranteed as to payment of principal and interest by Ginnie Mae, Fannie Mae, Freddie Mac or any other agency or instrumentality of or chartered by the United States to which the powers of any of them have been transferred or which have similar powers to purchase or guarantee timely payment of Mortgage Loans.

Hedge Agreement: a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement with respect to all or a portion of any Series of Bonds or any assets pledged under this General Indenture.

Hedge Provider: any person or entity providing a Hedge Agreement pursuant to an agreement with or upon the request of the Commission.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Indenture.

Interest Requirement: as of any particular date of computation, the sum of the unpaid interest then due plus the interest to accrue on all Outstanding Bonds to the first day of the following month, plus the additional amount of such interest to accrue to their next respective Interest Payment Dates. Interest Requirement shall also include any regular payments under a Qualified Hedge Agreement if so specified by a Series Indenture or an Officer's Certificate, but shall not include any fees, expenses or termination payments.

Issue Date: the date as of which any Series of Bonds is issued and from which interest thereon accrues, as specified by the applicable Series Indenture in accordance with Section 202, and not the date assigned to a registered Bond pursuant to Section 601.

Lender: any bank, trust company, savings bank, national banking association, savings and loan association, building and loan association, life insurance company, mortgage banker or other financial institution authorized to transact business within the State which shall finance Loans or mortgage loans underlying Guaranteed Mortgage Securities and/or sell Loans or Guaranteed Mortgage Securities to the Commission, as shall be approved by the Commission.

Loan: interest-bearing indebtedness evidenced by a promissory note, or a participation in interest-bearing indebtedness evidenced by a note, made to finance a Single Family Residence or a Multifamily Development, as applicable, including, without limitation, a Mortgage Loan.

Loan Accounts: the Accounts so designated which may be established pursuant to Section 303.

Mortgage: a mortgage deed, deed of trust or other instrument securing a Mortgage Loan and constituting a lien on a Single Family Residence or a Multifamily Development, subject only to such encumbrances as are approved by the Commission.

Mortgage Loan: a Loan secured by a Mortgage on a Single Family Residence or Multifamily Development, as applicable.

Mortgagor: the obligor or joint obligors on a Mortgage Loan.

Multifamily Development: any housing project (as defined in the Act), or portion thereof, financed directly or indirectly with the proceeds of Bonds, which is approved by the Commission, including land, buildings and improvements, real, mixed and personal properties or interest therein that is planned, acquired, owned, developed, constructed, reconstructed, rehabilitated or improved for purposes of providing dwelling accommodations a substantial portion of which accommodations shall be for persons of eligible income (as defined in the Act), and such street, roads, sewer and waterlines and other supporting public and private facilities intended for commercial, educational, cultural, recreational, community or other civic purposes as may be deemed necessary for sound community development.

Multifamily Loan: a Loan satisfying the applicable conditions set forth in Section 304 made to finance a Multifamily Development.

Note: any obligation not designated as a bond, issued by the Commission pursuant to the Act to make or purchase an obligation which is then, or thereafter becomes, a Loan.

Officer's Certificate: a certificate signed by an Authorized Officer.

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond cancelled by the Trustee, or proven to the satisfaction of the Trustee to have been cancelled by the Commission or by any other Fiduciary, at or before that time, (ii) any Bond for the payment or redemption of which either moneys or Permitted Investments in the amounts, of the maturities and otherwise described and required under the provisions of paragraph (B) or (D) of Section 1201 has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII, (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Article VI, Section 705 or Section 906 and (iv) with respect to Section 905 and Section 1011, any Bond owned by the Commission.

Parity Test: the Value of the Principal Assets equals or exceeds one hundred percent (100%) of all Outstanding Bonds.

Paying Agent: any paying agent for Bonds appointed by or pursuant to Section 202 or Section 1102, its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this General Indenture.

Permitted Investments: any of the following which at the time are certified to the Trustee in an Officer's Certificate as (a) legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein and (b) permitted by the then effective investment policy of the Commission:

- (i) Government Obligations;

(ii) Direct and general obligations of any state within the United States of America or of any political subdivision of such a state, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency then rating the Bonds at the request of the Commission;

(iii) Bonds, debentures, participation certificates, notes or other obligations issued or unconditionally guaranteed by any of the following: Federal Home Loan Banks, Farm Credit System (including the Bank for Cooperatives, Federal Land Banks, Federal Farm Credit Banks and Federal Intermediate Credit Banks), Fannie Mae, Farmer's Home Administration (or its successor, the Rural Housing and Community Development Service), Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Small Business Administration, Resolution Funding Corporation, or any other Commission or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an Commission or instrumentality thereof or sponsored thereby;

(iv) Repurchase agreements, provided that such obligation is (1) rated in one of the three highest rating categories by any Rating Agency then rating the Bonds or (2) continuously and fully collateralized by such securities as are described above in clauses (i) through (iii), inclusive, which shall have a market value at all times equal to at least the principal amount of such obligation;

(v) Certificates of deposit, time deposits or demand deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that such certificates of deposit, time deposits or demand deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully collateralized by such securities as are described above in clauses (i) through (iii), inclusive, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit, time deposits or demand deposits;

(vi) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

(vii) Stripped securities: principal-only strips and interest-only strips of noncallable obligations issued by the U.S. Treasury, and REFCORP securities stripped by the Federal Reserve Bank of New York; and

(viii) Guaranteed investment contracts or similar deposit agreements with insurance companies, banks or other financial institutions, unless such contract or agreement would adversely affect the then current rating on the Bonds by each Rating Agency then rating the Bonds at the request of the Commission.

Notwithstanding the foregoing, 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 General Indenture, thus permitting investments with different

characteristics from those permitted which an Authorized Officer deems from time to time to be in the interest of the Commission, as reflected in an Officer's Certificate 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 by each Rating Agency then rating the Bonds at the request of the Commission, as certified in such Officer's Certificate or Supplemental Indenture.

Prepayment: any money received from a payment of principal on a Loan in excess of the scheduled payments of principal then due or from the sale of a Loan.

Principal Assets: as of any date of computation of Value, all Loans, deposited cash and Permitted Investments in all Loan Accounts, in the Reserve Fund and in the Revenue Fund, other than Permitted Investments and cash held pursuant to Section 1201 or to pay accrued interest on Outstanding Bonds.

Principal Installment: as of any particular date of computation, an amount equal to the principal amount of Outstanding Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Bonds, but including the remaining amount as a Sinking Fund Installment payable on said future date.

Principal Installment Date: the date on which a Principal Installment is payable.

Principal Office: with respect to a Fiduciary, its principal or head office or corporate trust or principal trust office in the city in which the Fiduciary is described as being located.

Principal Requirement: as of any particular date of computation, for all Bonds then Outstanding, the sum of (i) all unpaid Principal Installments then due, plus (ii) all Principal Installments to become due within twelve (12) months thereafter.

Program: the Commission's program of carrying out the purposes and provisions of the Act, primarily by the making, purchasing or financing of Loans, including the payment, when due, of principal of and redemption premium, if any, and interest on Notes and Bonds, and by the financing or reimbursement of related capital expenditures.

Program Expenses: all the Commission's expenses of administering the Program under this General Indenture and the Act and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Trustee, any Depository and Paying Agent; Cost of Issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; Hedge Agreement payments so designated by an Authorized Officer including, without limitation, payments due upon the early termination of a Hedge Agreement; Credit Facility fees; bond insurer fees; financial advisory fees, rebate analyst fees, accounting and consulting fees, attorneys' fees, remarketing agent fees; and any other expenses and fees required or permitted to be paid by the Commission under the provisions of this General Indenture, any Supplemental Indenture or any Series Indenture, all to the extent properly allocable to the Program.

Qualified Hedge Agreement: a Hedge Agreement which meets the tests of Section 407.

Qualified Hedge Institution: (A) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or Commission of a foreign bank which branch or Commission is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an Commission, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Qualified Hedge Agreement is entered into by the Commission are rated in any of the three highest rating categories by each Rating Agency then rating the Bonds at the request of the Commission, or (B) the Government National Mortgage Association or any successor thereto, Fannie Mae or any successor thereto, the Federal Home Loan Mortgage Corporation or any successor thereto, or any other federal Commission or instrumentality the obligations of which are backed by the full faith and credit of the United States of America; and further provided that it is expressly understood that the definition of the Qualified Hedge Institution shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this General Indenture, thus permitting a Qualified Hedge Agreement with a different entity from those permitted which an Authorized Officer deems from time to time to be in the interest of the Commission, as reflected in an Officer's Certificate 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 by each Rating Agency then rating the Bonds at the request of the Commission, as certified in such Officer's Certificate or Supplemental Indenture.

Rating: an opinion or other determination by a Rating Agency of the creditworthiness of a Bond made at the request of the Commission.

Rating Agency: a nationally recognized statistical rating organization which is registered with the United States Securities and Exchange Commission in accordance with the Credit Rating Agency Reform Act of 2006.

Redemption Price: as of any date of redemption before maturity, the principal amount of a Bond, or any portion thereof, plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Reserve Fund: the Fund so designated which is established and created by Section 401.

Reserve Requirement: as of any particular date of computation, an amount of money equal to the sum of the amounts required by each Series Indenture to be maintained in the Reserve Fund with respect to the Series of Bonds authorized thereby, if any.

Revenue Fund: the Fund so designated which is established by Section 401.

Revenues: all payments, proceeds, rents, charges and other cash income derived by or for the account of the Commission from or related to the Program, including, without limitation, the payments and prepayments of principal of and interest on Loans (whether paid by or on behalf of a borrower or Mortgagor, as applicable), but not including Service Charges, and not including financing, commitment or similar fees or charges of the Commission at or prior to the time of making or purchasing a Loan.

Serial Bonds: Bonds so designated in a Series Indenture.

Series: all Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to Article VI or Section 705 or 906.

Series Indenture: an indenture of the Commission authorizing the issuance of Bonds pursuant to Article II hereof.

Service Charge: any charge authorized to be deducted by a Servicer from payments on a Mortgage Loan and any reimbursement of the cost of servicing by the Commission, before deposit of the payments with the Trustee.

Servicer: the Commission or any other public or private institution (including the Trustee or a Depository) with which the Commission shall execute a Servicing Agreement.

Servicing Agreement: a contractual agreement of the Commission with a Servicer for the servicing of Loans.

Single Family Loan: a Mortgage Loan satisfying the applicable conditions set forth in Section 304 made to finance a Single Family Residence.

Single Family Residence: real property and improvements thereon, including, but not limited to, a condominium unit, which consists of not more than four dwelling units owned by one Mortgagor.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Indenture to be paid on a specified date by the Commission toward the retirement of any particular Term Bonds before maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Special Program Fund: the Fund so designated which may be established pursuant to Section 307, including a general account and restricted account.

State: the State of Maryland.

Subordinated Bonds: Bonds authorized by Section 205(B) of this General Indenture and issued pursuant to a Series Indenture which by their terms are junior in right of payment to Bonds.

Supplemental Indenture: any indenture of the Commission amending or supplementing this General Indenture, adopted and becoming effective in accordance with the terms of Articles VIII or IX.

Term Bonds: Bonds so designated in a Series Indenture.

Trust Estate: all Revenues, proceeds, Funds, Accounts, Loans, rights, interests, collections, and other property pledged to the payment of any Bonds pursuant to Sections 201 and 504 or any Series Indenture.

Trustee: the trustee appointed by or pursuant to Section 1101, its successor or successors and any other corporation or association which may at any time be substituted in its place pursuant to this General Indenture.

Value: a periodic valuation of Principal Assets to be made in an Officer's Certificate, which may rely on the most recent Cash Flow Certificate, at the times required in Sections 203(B)(3) and 304(D) (and not for financial reporting as required in Section 506(B)), at amounts computed for the several categories of Principal Assets, respectively, as follows:

- (a) for a Loan, the unpaid principal amount thereof;
- (b) for any amount of cash and Permitted Investments held in a Loan Account at any computation date, the par amount thereof; and
- (c) for other Permitted Investments and deposits: (i) the principal amount or amortized cost of an Permitted Investment, whichever is lower, if it matures more than twenty-four (24) months after the date of computation or is held subject to a repurchase agreement and (ii) the principal amount of a deposit or of an Permitted Investment that matures within twenty-four (24) months after the date of computation and is not held subject to a repurchase agreement, provided further that (iii) accrued interest shall be excluded from each such computation.

SECTION 102. Interpretation. The following principles govern the interpretation of other words and phrases used in this General Indenture:

- (1) articles, sections, paragraphs and clauses mentioned by number only are those so numbered which are contained in this General Indenture;
- (2) captions, titles or headings preceding any article or section herein, and any table of contents or index attached hereto, are solely for convenience of reference and are not part of this General Indenture and shall not affect its meaning, construction or effect;
- (3) terms such as "herein," "hereunder," "hereby," "hereto" and "hereof" refer to this General Indenture and not to any particular section thereof unless so indicated; "heretofore" and "hereafter" mean before and after the date of adoption of this General Indenture, respectively;

(4) words importing the masculine gender include the feminine and neuter genders;

(5) words importing the maturity of a Bond do not include or connote the becoming due of such Bond upon redemption thereof prior to maturity pursuant to this General Indenture or the payment of the Redemption Price thereof;

(6) words importing persons include firms, associations and corporations;

(7) words importing the redemption or redeeming or calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond; and

(8) words importing the singular number include the plural number, and vice versa.

SECTION 103. *Publications; Electronic Communications.* In this General Indenture and in any Supplemental Indenture or Series Indenture, whenever publications in successive weeks are referred to, such successive weeks shall each be deemed to begin with Sunday, and such publication shall be sufficient if made on any day or days of such successive weeks. In this General Indenture and in any Supplemental Indenture or Series Indenture, publications, whenever in an Authorized Newspaper on successive dates are referred to or implied, such publications need not all be made in the same Authorized Newspaper and shall be sufficient if made on such successive dates in any Authorized Newspaper circulated in the same area.

Any notice, direction or other communication given hereunder from the Commission to any Fiduciary, or from any Fiduciary to the Commission, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been given when an electronic confirmation of delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Standard Time, and otherwise on the next business day.

SECTION 104. *Parties Interested Herein.* Nothing in this General Indenture is intended to confer upon any person, other than the Commission, the Fiduciaries, the Holders of the Bonds and the Qualified Hedge Institutions, any right, remedy or claim under or by reason of this General Indenture or any covenant, stipulation, obligation, agreement or condition therein, all of which shall be for the sole and exclusive benefit of the Commission, the Fiduciaries, the Holders of the Bonds and the Qualified Hedge Institutions.

SECTION 105. *Law Applicable.* The interpretation and construction of this General Indenture are governed by the laws of the State.

SECTION 106. *Severability.* If any provision, covenant or agreement in this General Indenture on the part of the Commission or any Fiduciary to be performed, or any application thereof to any particular circumstances, should be contrary to law, it shall be deemed separable

from and shall in no way affect the validity of any other provision, covenant or agreement contained in, or application of, this General Indenture or Bonds.

ARTICLE II

AUTHORIZATION OF BONDS

SECTION 201. *Authorization.* (a) To provide sufficient funds for the Program, and for the other purposes stated herein, Bonds of the Commission designated as “Program Revenue Bonds” are authorized to be issued from time to time without limitation as to amount, except as provided in this General Indenture or by law, and shall be issued subject to the terms, conditions and limitations established in this General Indenture and in one or more Series Indentures adopted by the Commission. Each Series shall bear a letter or number designation or such other designation so made by an Authorized Office sufficient to distinguish it from any other Series. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds or both.

(b) The Bonds shall be special, limited obligations of the Commission payable solely from the revenues and assets pledged therefor pursuant to this Indenture and in any related Series Indenture. The Bonds shall contain on their face a statement, similar to the following:

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE COMMISSION AND DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE STATE, INCLUDING ANY POLITICAL SUBDIVISION THEREOF, OR ANY PARTICIPATING LENDERS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, INCLUDING ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO BONDS. THE COMMISSION HAS NO TAXING POWER. THE BONDS AND THE INTEREST THEREON ARE PAYABLE SOLELY FROM THE REVENUES AND ASSETS PLEDGED BY THE COMMISSION FOR THE PAYMENT THEREOF.

SECTION 202. *Series Indentures.* Each Series Indenture shall include a determination by the Commission that it is necessary to issue the Series of Bonds in the principal amount authorized thereby to provide sufficient funds to be used and expended for the Program and shall specify and determine as to that Series:

- (a) the authorized principal amount;
- (b) the purposes for which the proceeds may be used, which shall be to provide funds for one or more of the following:
 - (i) for the making or purchase of Loans;
 - (ii) for the financing of Loans previously made or purchased, including the retirement of Notes issued for that purpose as provided in Section 302(A);
 - (iii) for the refunding of Outstanding Bonds, or other bonds referred to in Section 204(C), including any or all interest and redemption premiums thereon;

(iv) to the extent possible while satisfying the Parity Test and the Cash Flow Test, for the funding through the Special Program Fund of other programs authorized by the Act;

(v) incident to these purposes, for the funding of a discount and the deposit of amounts determined by or pursuant to this General Indenture to be credited and paid into the Funds and Accounts referred to in Sections 204, 301, 307 and 401; and

(vi) for any other purpose which (a) is permissible under the Act, (b) does not adversely affect the then-current rating on the Bonds by each Rating Agency then rating the Bonds and (c) with respect to any Bonds the interest on which is or is intended to be exempt from federal income taxation, is permissible under the Code.

(c) the amounts to be deposited in the Funds or Accounts established under this General Indenture or such Series Indenture from the proceeds of the Bonds of such Series, or from other available funds of the Commission;

(d) that notwithstanding any other provisions of the Series Indenture, upon issuance, sale and delivery of the Bonds, so much of the proceeds shall be deposited in the Reserve Fund as is needed to establish a balance therein equal to the Reserve Requirement, computed with reference to all Outstanding Bonds and to the Bonds authorized by the Series Indenture, in accordance with the definition in Section 101 and the provisions of all applicable Series Indentures consistent therewith;

(e) the form, title, designation, denominations and manner of numbering and lettering of the Bonds;

(f) the date or dates of maturity of the Bonds, the amount or amounts of each maturity;

(g) the Issue Date;

(h) the rate or rates or the manner of determining the rate or rates of interest on the Bonds and, if applicable, provisions relating to the accretion or compounding of interest on Bonds which do not pay interest on regular Interest Payment Dates but accrete or compound such interest to the maturity date (or an earlier designated date) unless redeemed prior to such date, and whether such interest is intended to be exempt from federal income taxation;

(i) the Interest Payment Dates;

(j) the Bonds which are Term Bonds (if any) and those which are Serial Bonds (if any);

(k) the amount and date of each Sinking Fund Installment for the Term Bonds of such Series, if any, required to be paid, and the Redemption Price or Prices to be paid

upon the redemption of such Term Bonds by application of such Sinking Fund Installments;

(l) the Redemption Price or Prices and redemption date or dates and other terms of redemption (if any) of the Bonds;

(m) the Paying Agent or Agents, subject to Section 1102;

(n) the purchasers and terms of sale, or the manner in which the Bonds are to be sold and provisions for the sale thereof;

(o) the forms of the Bonds of such Series and the Trustee's certificate of authentication;

(p) the terms and conditions upon which the Commission expects to make or purchase Loans and/or Guaranteed Mortgage Securities, including the prices at which such Loans and/or Guaranteed Mortgage Securities shall be purchased and whether any mortgage pool insurance or private mortgage insurance shall be required, and to apply any repayments of Mortgage Loans or payments under Guaranteed Mortgage Securities made or purchased by the Commission in connection with such Series;

(q) the Credit Facilities, if any, to be utilized in connection with such Series of Bonds;

(r) such additional Funds and Accounts as may be necessary; and

(s) any other provisions deemed advisable by the Commission, not in conflict with or in substitution for the provisions of this General Indenture.

A Series Indenture may provide that any of the matters set forth in (a) through (s) above may be specified in an instrument supplementing such Series Indenture.

SECTION 203. *Conditions Precedent to the Issuance of Bonds.*

(A) After authorization by a Series Indenture and compliance with all requirements set forth therein, Bonds of a Series may be executed on behalf of the Commission and delivered to the purchasers or underwriters thereof, but only upon and subject to the further conditions stated in this Section or in Sections 604, 607, 609, 705 and 906.

(B) The Commission shall furnish or caused to be furnished to the Trustee:

(1) copies of this General Indenture and the applicable Series Indenture, certified by an Authorized Officer;

(2) a Counsel's Opinion that:

(i) this General Indenture and the applicable Series Indenture have been duly authorized by the Commission and are valid and binding upon it and enforceable in accordance with their terms;

(ii) this General Indenture creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Commission does not exceed any legal limitation;

(3) an Officer's Certificate, which may rely on the Cash Flow Certificate specified in subsection (4) below, stating:

(i) the amount of the proceeds of the Bonds (and any other funds) to be credited to all Funds and Accounts referred to in Section 301 at the time of delivery of the Bonds;

(ii) that upon the issuance of such Series of Bonds the Parity Test and the Cash Flow Test will be satisfied;

(iii) that the issuance of the Bonds will have no material adverse effect on the ability of the Commission to pay the Principal Installments of and all Interest Requirements on all Bonds;

(iv) the provisions required in Section 204 or 302(A), if the Series Indenture directs the refunding of any Outstanding Bonds or other obligations;

(v) that the amount to be deposited in the Reserve Fund, if any, is sufficient to increase the amount in that Fund to the Reserve Requirement effective after the issuance of the Bonds;

(vi) that upon the issuance of the Bonds and deposit of amounts in all Funds and Accounts as directed in the Officer's Certificate and the related Series Indenture, the Parity Test will be satisfied; and

(4) The Cash Flow Certificate as required by Section 510(A)(iii).

(C) The Trustee shall determine and certify that it has received the documents listed in paragraph (B) of this Section.

SECTION 204. *Refunding Bonds.*

(A) If a Series Indenture provides for the refunding of any Outstanding Bonds of one or more Series, the Officer's Certificate required in Section 203(B)(3) shall include irrevocable instructions to the Trustee, satisfactory to it:

(1) identifying the Bonds, interest and redemption premiums, if any, to be refunded and identifying separately those Bonds to be paid at their respective maturity dates and those to be redeemed at specified Redemption Prices and on specified dates at which such Bonds may be redeemed from moneys held in the Revenue Fund and from other funds;

(2) directing the Trustee to make due notification or publication, if applicable, of a notice of redemption and refunding which shall include all information required in Section 704 with respect to the Bonds to be redeemed prior to maturity, shall also specify the Series and maturities of the Bonds or portions of Bonds to be paid at maturity, and shall identify the Bonds or portions thereof and interest and redemption premiums which are deemed to have been paid and as to which the covenants, agreements and other obligations of the Commission are deemed to be discharged and satisfied, by reason of the deposit to be made with the Trustee, as may be required by Section 1201(D); and

(3) stating that funds will be on deposit with the Trustee or deposited with the Trustee pursuant to an escrow agreement, as applicable, at or before the time of delivery of the refunding Bonds, sufficient to effect retirement of the Bonds, interest and redemption premiums to be refunded in accordance with the provisions of paragraph (B) of this Section.

(B) If any Outstanding Bonds are to be defeased in accordance with Section 1201 hereof, then at or before the time of delivery of Bonds issued to refund Outstanding Bonds, the Commission shall deposit with the Trustee, pursuant to an escrow agreement, an amount of money or Permitted Investments sufficient to comply with the provisions of Section 1201(D) with reference to all of the Bonds, interest and redemption premiums to be refunded, which shall be held by the Trustee in a special account created pursuant to such escrow agreement and which shall be separate from all Funds and Accounts created by or pursuant to this General Indenture, irrevocably in trust for, and assigned to, the respective Holders of Bonds being refunded, and used to pay, when due, the Principal Installments and Redemption Prices of and interest on said Bonds, in accordance with their terms and the terms of the notice of redemption and refunding required in paragraph (A) of this Section. In addition to the proceeds of refunding Bonds, the Commission may apply, or may direct the deposit in said escrow account, amounts held in any Fund or Account created by or pursuant to this General Indenture, which, by the terms of this General Indenture and applicable Series Indentures, are or may be pledged to the retirement of said Bonds, interest or redemption premiums. Such deposited funds will be used for the payment of bonds as if the transfers of funds had actually taken place.

(C) The Commission also reserves the privilege of providing by Series Indenture for the refunding of obligations issued under the provisions of any indenture, other than this General Indenture, issued for the purpose of financing Loans, provided that:

(1) the Commission provides to the Trustee an Officer's Certificate stating that all necessary actions have been taken for the refunding and immediate discharge of the obligations of the Commission with reference thereto in accordance with the provisions of this Section 204 and of the indentures pursuant to which the refunded obligations were issued; and

(2) the money, investments and other assets and income held in and receivable by funds and accounts established by or pursuant to such indentures, to the extent required to satisfy the conditions precedent to the issuance of the refunding Bonds as stated in Section 203, are transferred to and/or deposited with the Trustee and subjected to the provisions of this General Indenture and, subject to such provisions, are pledged to the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, at the times and in the manner provided in this General Indenture and applicable Series Indentures.

(D) The Commission expressly reserves the right, to the extent now or hereafter permitted by law, of providing for the defeasance of the rights and obligations created by this General Indenture with respect to part or all of the Bonds of any Series, and with respect to the Principal Installments of or the interest payments thereon or both, and of providing for the payment from the proceeds of refunding Bonds, and from income from the investment thereof, of any part of the Principal Installments of or interest on the refunding Bonds, as well as the obligations refunded.

SECTION 205. *Other Obligations.*

(A) Except as provided in this Article II and in Section 307, the Commission covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or superior charge or lien on the Revenues or will be payable on an equal or superior basis from any of the Funds or Accounts established and created by or pursuant to this General Indenture, including the Reserve Fund.

(B) The Commission expressly reserves the right to adopt one or more additional bond or note indentures, including a Series Indenture hereunder, and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section.

ARTICLE III

APPLICATION OF BOND PROCEEDS

SECTION 301. *Deposit of Bond Proceeds.* The proceeds from the sale of each Series Bonds, together with any other funds as may directed in the related Series Indenture, shall be deposited with the Trustee on the date of delivery of the Bonds and credited in the following amounts to the following trust funds and accounts, respectively:

- (1) to the Reserve Fund, the amount, if any, needed to increase the balance therein to the Reserve Requirement;
- (2) to the Revenue Fund, the amount, if any, of interest accrued on the Bonds from their Issue Date to their date of delivery;
- (3) to any account or accounts established by the applicable Series Indenture or to the Special Program Fund, the amounts, if any, allocated to them respectively;
- (4) to the Revenue Fund subaccount established by a Series Indenture or an escrow account to be held by the Trustee under an escrow agreement, as applicable, if any Outstanding Bonds or other obligations, interest or redemption premiums are directed by the Series Indenture to be refunded pursuant to Section 204, the amount needed for payment, or to provide for payment, of such principal, interest or redemption premiums; and
- (5) to a Loan Account, the remainder of the Bond proceeds, if any.

In addition, the Commission may apply the proceeds of any Series of Bonds as set forth in the related Series Indenture which (a) is permissible under the Act, (b) does not adversely affect the then-current rating on the Bonds by each Rating Agency then rating the Bonds and (c) with respect to any Bonds, the interest on which is or is intended to be exempt from federal income taxation, is permissible under the Code.

SECTION 302. *Temporary Accounts.*

(A) Temporary accounts may be established by a Series Indenture or Officer's Certificate, including accounts to provide funds to be transferred to the Revenue Fund for the payment of interest to accrue on any Series of Bonds before Revenues are estimated to be available and sufficient for that purpose, to provide funds to pay the Cost of Issuance of any Series of Bonds, and to be applied to the payment of Notes. In each such case moneys therein shall be applied as specified in the Series Indenture or Officer's Certificate creating the same. All interest and other income from time to time received from the deposit and investment of money in such an account, pending application to the purpose thereof, unless otherwise directed by the applicable Series Indenture or Officer's Certificate, shall be transferred as received to the Revenue Fund.

(B) If permitted by the terms of any Notes directed to be paid, the Series Indenture or an Officer's Certificate may provide for the satisfaction and discharge of the liability of the

Commission with respect thereto in advance of the maturity of the Notes, by the investment of the Note payment account in Permitted Investments the principal of and interest on which will provide amounts sufficient, with any other money simultaneously deposited in the Note payment account, to pay the principal or Redemption Price of the Notes and interest due and to become due on the Notes on and prior to the maturity or redemption date, as the case may be, in the same manner and upon the same conditions as those provided for the satisfaction and discharge of the Commission's liability with respect to Bonds in Section 1201(D). In this event, the income accrued from the investment of the Note proceeds and the interest accrued on the Mortgage Loans [or Guaranteed Mortgage Securities] financed by the Notes, prior to the issuance of the Bonds, shall be deposited with the Trustee in the Note payment account to the amount needed, with Bond proceeds held therein, to satisfy and discharge the Commission's liability with respect to the Notes.

Upon payment of the Notes, or upon prior satisfaction and discharge of the Commission's liability with respect thereto in accordance with the foregoing provisions, the undisbursed proceeds of the Notes shall be deposited in the Loan Account established by the Series Indenture authorizing the issuance of the related Series of Bonds, all Revenues thereafter accruing from the Loans financed by the Notes shall be deposited as received in the Revenue Fund, and all such Loans and Revenues shall be subject to the pledge made and the security interest granted by this General Indenture. However, no security interest is granted by this General Indenture in any revenues or income accrued prior to the date of such satisfaction and discharge other than revenues or income directed by the Series Indenture or Officer's Certificate to be deposited in the Note payment account.

SECTION 303. *Loan Accounts.*

(A) Each Series Indenture shall establish a separate Loan Account to be held by the Trustee, to record the receipt and disbursement of any proceeds of the related Series of Bonds and any other moneys, in each case, as authorized by such Series Indenture, for the making or purchase of Loans, for the financing of Loans previously made or purchased, for the purchase of Guaranteed Mortgage Securities, or for the financing or reimbursement of capital expenditures relating to the Program.

(B) The Trustee shall from time to time apply moneys held in each Loan Account for the purpose of making or purchasing Loans, of purchasing Guaranteed Mortgage Securities or of reimbursing the Commission for payments made by it from other funds for that purpose, upon receipt by the Trustee of an Officer's Certificate, stating:

- (1) the Loan Account from which the payment is to be made and the amount, manner and recipient of the payment, which may be made to the Commission or to a Lender; and
- (2) that each Loan fully satisfies the provisions of Section 304.

(C) All such certificates received by the Trustee from the Commission may be relied upon by the Trustee and shall be maintained in its possession, subject at all times during normal business hours to inspection by the Commission.

(D) All interest and other income received from the deposit and investment of money in Loan Accounts shall be transferred by the Trustee, as received, to the Revenue Fund.

(E) Each month during the period of disbursement of any Loan Account, the Commission shall require a report in the form of an account statement to be made by an officer or employee of the Trustee covering all receipts and amounts then credited to the Loan Account, as well as any securities specifically pledged or provided therefor, any investment thereof, and all disbursements made pursuant to the provisions of this Section.

(F) The Commission may by Officer's Certificate direct the Trustee to transfer amounts in any Loan Account to the Account within the Revenue Fund relating to such Series of Bonds. The proceeds of Bonds that constitute "qualified mortgage bonds" under Section 143 of the Code remaining in any Loan Account forty (40) months after the Issue Date of such Bonds of the Series for which the Account was established, or at such other time as may be provided in the applicable Series Indenture, shall be transferred to the Account within the Revenue Fund relating to such Series of Bonds. The Commission may by Officer's Certificate direct the Trustee to retransfer any part or all of such amounts to the Loan Account for disbursement in the manner provided in this Section.

(G) Notwithstanding any other provisions of this Section, the Trustee shall withdraw from any Loan Account and transfer to the Revenue Fund such amounts at such time as are required under the provisions of Section 405 for the payment of Principal Installments of and interest on Bonds, when due and payable, or are directed by an Officer's Certificate to be so transferred pursuant to any provisions of Section 405.

SECTION 304. *Loans.*

(A) Each Loan made, financed or purchased from the proceeds of Bonds shall conform to the terms, conditions, provisions and limitations stated in this Section 304 and any applicable Series Indenture except to the extent, if any, that a variance therefrom is required by any Commission or instrumentality of the United States guaranteeing or insuring or otherwise assisting in the payment of the Loan.

(B) Each Loan purchased or financed by the Commission shall be made for the purpose of financing a Single Family Residence or a Multifamily Development to be occupied by a person or family of low or moderate income as defined in the Act and rules adopted by the Commission pursuant thereto.

(C) Each Single Family Loan pledged as security for the Bonds must be (1) located in the County and (2) covered by a title insurance policy insuring that the related Mortgage is a valid lien on the residential property. Each residential property for which a Single Family Loan is made must be covered by a fire and extended coverage insurance policy in an amount at least equal to the full insurable value of the property.

(D) Each Single Family Loan must (1) have an unpaid principal balance not exceeding 80% of the Fair Market Value of the mortgaged Single Family Residence, or (2) be insured or guaranteed by (a) the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), or any other agency of the United States having similar powers to insure

or guarantee mortgage loans, including but not limited to Farmers Home Administration (or its successor the Rural Housing and Community Development Service) (“RD”) or (b) a Private Mortgage Insurer (“PMI”) approved by Fannie Mae or Freddie Mac, (3) have an equivalent insurance policy, guaranty, letter of credit or other security, or (4) have other terms that do not affect the then current rating on the Bonds.

(E) Each Multifamily Loan must have (1) the benefit of (a) FHA Insurance, (b) collateral consisting of Permitted Investments in an amount that will not adversely affect the then current rating on the Bonds, (c) a Credit Facility, or (2) terms that do not affect the then current rating on the Bonds.

(F) The Commission may participate in a Loan with another party or parties, so long as the interest of each shall have equal priority as to lien in proportion to the amount of the Loan secured, but such interests need not be equal as to interest rate, time or rate of amortization or otherwise.

(G) The Commission shall enter into a Servicing Agreement with respect to each Single Family Loan, unless it determines to service the Single Family Loan itself.

SECTION 305. *Program.*

(A) The Commission shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of this General Indenture, use and apply the proceeds of the Bonds, to the extent not required by this General Indenture or any Series Indenture for other Program purposes, to make, purchase or finance Loans, shall do all such acts and things as are necessary to receive and collect Revenues, consistent with sound practices and principles, as may be necessary to receive and collect sufficient Revenues to pay Program Expenses and Principal Installments and interest on Outstanding Bonds when due in each Fiscal Year, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary, in the judgment of the Commission, for the enforcement of all terms, covenants and conditions of Loans and Mortgages.

(B) The Commission shall (i) file with the Trustee a schedule of Loans purchased or financed by the Commission identifying the same by reference to the Commission loan number, the name of the borrower, the address of the applicable property, the identification number, if any, of federal insurance or guarantee or private mortgage insurance in the case of Single Family Loans, the principal amount due on such Mortgage Loan as of the date purchased, the interest rate on such Loan and the term of such Loan and (ii) register Guaranteed Mortgage Securities in the name of the Trustee and, if the Guaranteed Mortgage Securities are evidenced by physical certificates, shall deliver physical possession thereof to the Trustee.

(C) With respect to Single Family Loans, the Commission shall maintain an account for each Lender having entered into a mortgage purchase agreement with the Commission and shall record therein a description of each Single Family Loan purchased from such Lender.

(D) The Commission reserves the right to transfer any amount from its Special Program Fund or other legally available funds to the Trustee for credit to the Revenue Fund in

payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Loan or to advance such money to cure or avert a default on any Loan. The Commission shall be entitled to recover from the Mortgagor or borrower, as applicable, any amounts so advanced, together with interest thereon at the rate payable on the Loan, or to enforce its right to such recovery under the Loan, but only after all other defaults thereunder have been cured.

(E) The Commission covenants that it will not consent to the modification of the security for or any terms or provisions of any Loan or Mortgage in a manner detrimental to Bondholders. The right is reserved to consent to a reduction in the interest rate on any Loan, provided that the reduction does not impair any contract of insurance or guaranty of the Loan.

(F) The Commission covenants that it will at all times appoint, retain and employ competent personnel or agents for the purpose of carrying out its programs, including the Program, and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of personnel and their compensation, to the end that all persons employed by the Commission shall be qualified for their respective positions.

(G) The Commission will not cause Bonds to be purchased or redeemed at any time, if such purchase or redemption would have a material adverse effect on the ability of the Commission to pay the Principal Installments of and interest on the remaining Outstanding Bonds.

(H) Loans other than Single Family Loans shall not be required to be secured by a Mortgage.

SECTION 306. *Enforcement and Foreclosure of Certain Single Family Mortgages.*

(A) The Commission shall not sell a Loan prior to default for an amount less than its outstanding principal balance. Upon foreclosure of a Mortgage securing a Single Family Loan, the Commission may bid for and purchase the Single Family Residence covered thereby at the foreclosure or other sale thereof and may acquire and take possession of the Single Family Residence, maintaining it in the place and stead of the Mortgagor, in the manner required by the terms and provisions of the Mortgage. Upon or after receipt of any Revenues with respect to any Loan or acquisition of the Single Family Residence from the Mortgagor in lieu of foreclosure, unless the Single Family Residence is conveyed to the insurer of the Loan thereon, the Commission may resell the Single Family Residence to any party for cash, or may sell the same on a land sales or installment sales contract basis, at any price so long as such sale does not materially impair or adversely affect the rights or security of the Bondholders or the Trustee.

(B) Upon receipt of any Revenues with respect to any Single Family Loan, or from operation of such Single Family Residence subject to the Mortgage, after foreclosure or conveyance of the Single Family Residence to the Commission in lieu of foreclosure, in excess of the amounts needed to preserve title to and the value of the Single Family Residence, the Commission shall transmit such Revenues to the Trustee for deposit in the Revenue Fund.

(C) Nothing in this General Indenture shall prohibit the Commission from causing a Lender to repurchase a Single Family Loan in accordance with the applicable mortgage purchase agreement.

SECTION 307. *Special Program Fund.*

(A) A Special Program Fund is established, to be held and applied by the Trustee, in which the Commission may deposit, at any time, any available funds not pledged under this General Indenture, including, but not limited to, proceeds of a Series of Bonds, or other funds previously pledged under an indenture securing obligations satisfied and discharged by the issuance of a Series of refunding Bonds, if such proceeds or other funds are not needed to accomplish such satisfaction and discharge. Money so deposited shall be held in a general account in the Special Program Fund and, until disbursed or committed to be disbursed as provided below, shall be available to restore deficiencies in other Funds and Accounts, as provided in this General Indenture.

(B) Subject to the foregoing, amounts in the general account in the Special Program Fund shall be disbursed or transferred, as directed by Officer's Certificates, to effectuate (a) loans by the Commission to provide special assistance to eligible sponsors, mortgagors or occupants of housing for persons and families of low and moderate income in paying the cost of development, rental or ownership of such housing or (b) reappropriations to any fund or account pertaining to any other program for any purpose authorized by the Act.

(C) The full amount committed at any time by the Commission for a special assistance loan shall be transferred by the Trustee to a separate restricted account in the Special Program Fund. Such loans shall be disbursed from the restricted account at times and in amounts directed by Officer's Certificates, and repayments thereof shall be credited upon receipt to the general account. The Commission also may direct the Trustee to establish one or more separate restricted accounts for any lawful purpose of the Commission, including security for any obligation of the Commission. Funds held in a restricted account or disbursed pursuant to reappropriation shall no longer be available for transfer to any other Fund or Account, except as provided in the directions to the Trustee relating to the establishment of such restricted account.

(D) Income from the investment of the Special Program Fund shall be credited to the general account therein.

(E) Unless otherwise set forth in a Series Indenture or an Officer's Certificate, at such time as any Series of Bonds is no longer outstanding and the related Series Indenture has been discharged, all moneys, assets and investments allocated to such Series (other than any cash and investments held by the Trustee in connection with a defeasance of such Series) shall be credited to the Special Program Fund.

ARTICLE IV

APPLICATION OF REVENUES

SECTION 401. *Establishment of Funds and Accounts.* The following special Funds and Accounts are established, in addition to those which are or may be established pursuant to Article III, all of which shall be held by the Trustee or by a Depository in the name of the Trustee:

- (1) a Revenue Fund; and
- (2) a Reserve Fund.

In addition, the Commission may establish such other Funds, Accounts or Subaccounts pursuant to a Series Indenture or an Officer's Certificate as the Commission deems necessary in connection with any Series of Bonds.

SECTION 402. *Deposit of Revenues.* The Commission will collect and deposit or will cause Servicers to collect and deposit all Revenues derived from Loans with the Trustee, or with Depositories in the name of the Trustee, on the date of receipt or as soon thereafter as practicable. The Trustee shall credit all such receipts to the Revenue Fund and the applicable Accounts therein.

SECTION 403. *Revenue Fund.* On or before each Interest Payment Date, principal payment date and Redemption Date, as applicable, and at such other times as may be directed by an Officer's Certificate, the Trustee shall withdraw from any money in the Revenue Fund and make the following payments, or credit to each of the following Funds and Accounts, the amount indicated in the following tabulation or so much thereof as remains after first making such payment or paying into each Fund or Account preceding it in the following tabulation the amount indicated:

- (1) to pay debt service on the Bonds (including Sinking Fund Installments) as provided in Section 404 hereof, and any payments to a Hedge Provider pursuant to Section 407(B)(2) hereof;
- (2) to pay the Redemption Price of any Bonds called for redemption in accordance with Article VII hereof and any Series Indenture;
- (3) to the purchase of Bonds designated in the Officer's Certificate pursuant to Section 702 hereof, at a purchase price not exceeding the Redemption Price applicable on the next date when such Bonds are redeemable pursuant to the applicable Series Indenture (provided that such purchase price may exceed the applicable Redemption Price if and to the extent the amount of such excess shall be paid from moneys not pledged under this General Indenture, or moneys which could otherwise be released to the Commission pursuant to Section 403(7) hereof), provided that such Bonds shall not be purchased during the period of twenty-five (25) days next preceding the Redemption Date designated in the Officer's Certificate;

(4) to the Reserve Fund, the amount, if any, needed to increase the amount therein to the Reserve Requirement;

(5) to one or more Loan Accounts or to pay Program Expenses or payments to a Hedge Provider pursuant to Section 407(B)(4) hereof, as may be directed in any Series Indenture or Officer's Certificate;

(6) to one or more others Funds or Accounts as may be established by and as may be directed in any Series Indenture or Officer's Certificate; and

(7) the remainder shall be held in the Revenue Fund until and unless directed by Officer's Certificate to be transferred (i) to the Special Program Fund, (ii) to make payments to a Hedge Provider pursuant to Section 407(B)(4) hereof or (iii) such remainder or any part thereof may be directed by an Officer's Certificate to be withdrawn for use for any purpose authorized by the Act, free and clear of any lien or pledge created by this General Indenture, but only upon the filing of an Officer's Certificate demonstrating that the Parity Test and the Cash Flow Test will still be satisfied after giving effect to such withdrawal or transfer.

SECTION 404. *Debt Service.*

(A) The Trustee shall withdraw from the Revenue Fund (except any amount required to pay Bonds previously called for redemption) an amount equal to the unpaid interest due on the Bonds on each Interest Payment Date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents, who shall apply it to such payment.

(B) If the withdrawals required under paragraph (A) of this Section have been made, the Trustee shall then withdraw from moneys in the Revenue Fund (except any amount required to pay Bonds previously called for redemption), an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on each Principal Installment Date, and shall cause it to be applied to the payment of the principal of said Bonds when due or transmit it to one or more Paying Agents who shall apply it to such payment.

(C) The Trustee shall withdraw from the Revenue Fund (except any amount required to pay Bonds previously called for redemption) an amount equal to the Sinking Fund Installment due and payable with respect to the Outstanding Bonds on that date, and shall cause such amount to be applied to the purchase or redemption of any of the Bonds to which such Sinking Fund Installments relate, in the manner provided in this Section and Section 702, provided that no such Bonds shall be so purchased during the period of twenty-five (25) days next preceding the Sinking Fund Installment Date established for such Bonds. The price paid by the Trustee (excluding accrued interest, but including any brokerage and other charges) from such moneys for any Bond purchased pursuant to this Section shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this Section, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its

discretion may determine and as may be possible with the amount of money so available. If, on any date, there shall be money set aside or designated for such purpose and there shall be Outstanding none of the Bonds for which such amount was set aside or designated, such amount shall no longer be deemed so set aside or designated.

(D) As soon as practicable after the thirtieth (30th) day and before the twenty-fifth (25th) day prior to each Sinking Fund Installment Date, the Trustee shall select by lot and call for redemption on that date the principal amount of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply, or transmit it to one or more Paying Agents to apply, the money set aside or designated for such purpose to the payment of the Redemption Price of the Bonds so called for redemption.

SECTION 405. *Deficiencies in the Revenue Fund.*

(A) Not later than twenty-five (25) days before each Interest Payment Date and each Principal Installment Date, the Trustee shall notify the Commission in writing if the aggregate amount in the Revenue Fund is expected to be insufficient to pay the interest and all Principal Installments then due and payable, and shall state the estimated amount of such deficiency. Within ten (10) days after receiving any such notice, the Commission shall deliver to the Trustee an Officer's Certificate determining the amount, if any, which the Commission will pay to the Trustee or directs the Trustee to transfer within five (5) days thereafter, for deposit in said Accounts, from the general account in the Special Program Fund, from a designated Loan Account or from the proceeds of refunding Bonds.

(B) If the amount in the Revenue Fund five (5) days before any Interest Payment Date is not sufficient to pay all interest then due, or is not sufficient to pay all Principal Installments then due, the Trustee shall withdraw the amount of such deficiency from the Reserve Fund for credit to the Revenue Fund to make such payments.

(C) If there remains a deficiency in the Revenue Fund after withdrawing all money in the Reserve Fund, the Trustee shall transfer money to restore the deficiency from any other Fund or Account established by this General Indenture, except as may be expressly set forth in any Series Indenture or Supplemental Indenture.

SECTION 406. *Reserve Fund.*

(A) If the Revenue Fund lacks sufficient and available amounts to provide for the payment when due of Principal Installments of and interest on the Bonds, the Trustee shall withdraw from the Reserve Fund and pay into the Revenue Fund the amount of the deficiency. The Trustee shall notify the Commission in writing prior to any such withdrawal from the Reserve Fund.

(B) If, on the Principal Installment Date, all withdrawals from the Reserve Fund have been made as required on the same or any prior date by any other provision of this General Indenture, within five (5) days thereafter the Trustee shall withdraw any amount therein in excess of the Reserve Requirement and credit it to the Revenue Fund unless otherwise directed in an Officer's Certificate.

(C) The Commission shall at all times maintain the Reserve Fund and do and perform or cause to be done and performed each and every act and thing with respect to the Reserve Fund provided to be done or performed by or on behalf of the Commission or the Trustee under the terms and provisions of this Article IV and of the Act.

(D) The Commission may satisfy the Reserve Requirement by the deposit of a surety bond, insurance policy or letter of credit as shall be specified in the Series Indenture establishing such Reserve Requirement. All matters relating to the procedures for making a claim or draw under such credit instruments and the obligation of the Commission to reimburse the issuer of any such credit instruments for any such claims or draws shall be set forth in the Series Indenture establishing such Reserve Requirement; provided, however, that the obligation of the Commission to reimburse such issuer shall be subordinate to the payment of the principal of and interest on the Bonds.

(E) No amount shall be withdrawn from or paid out of the Reserve Fund except as provided in this Section.

SECTION 407. *Hedging Transactions.*

(A) A Hedge Agreement is a Qualified Hedge Agreement if (1) at the time of execution of such Hedge Agreement, the provider of the Hedge Agreement is a Qualified Hedge Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Hedge Institution and (2) the Commission designates the Hedge Agreement as a Qualified Hedge Agreement by an Officer's Certificate.

(B) If the Commission shall enter into any Qualified Hedge Agreement with respect to any Bonds and the Commission has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to specified Bonds, then during the term of the Qualified Hedge Agreement and so long as the Hedge Provider of the Qualified Hedge Agreement is not in default:

(1) for purposes of any calculation of debt service, the interest rate on the Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Bonds had interest payments equal to the interest payable on those Bonds less any payments reasonably expected to be made to the Commission by the Hedge Provider and plus any payments reasonably expected to be made by the Commission to the Hedge Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees, expenses or termination payments payable to such Hedge Provider for providing the Qualified Hedge Agreement);

(2) any such payments (other than fees, expenses and termination payments) required to be made by the Commission to the Hedge Provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Revenue Fund pursuant to Section 403(1), and are entitled to the same security afforded to Bondholders by this General Indenture for payments made pursuant to such Section 403(1), unless otherwise specified by the Commission to be paid from other moneys;

(3) any such payments received by or for the account of the Commission from the Hedge Provider pursuant to such Qualified Hedge Agreement shall constitute Revenues immediately subject to the pledge of this General Indenture and be deposited in the Revenue Fund;

(4) fees not equivalent to regular Bond debt service payments, as well as expenses and termination payments, if any, payable to the Hedge Provider may be paid from amounts on deposit in the Revenue Fund pursuant to Section 403(5) or 403(7), as applicable, or such other funds as are specifically designated by the Commission, in each case if and to the extent expressly provided in the Qualified Hedge Agreement or applicable Series Indenture; and

(5) all calculations and determinations in this Section 407 shall be evidenced by an Officer's Certificate provided to each Bond Service Provider, which shall certify that the requirements of this Section 407 have been met and shall direct that such Bond Service Provider shall take such actions as are specified in this Section 407 and such Officer's Certificate.

ARTICLE V

PARTICULAR COVENANTS

SECTION 501. *General.* The Commission hereby particularly covenants and agrees with the Trustee and with the Holders of the Bonds and makes provisions which shall be a part of its contract with such Holders, to the effect and with the purpose set forth in the following provisions and Sections of this Article. The provisions of this Article shall be effective from and after the time of the delivery of the Commission of the first Bond issued under this General Indenture.

SECTION 502. *Payment of Bonds.* The Commission shall duly and punctually pay or cause to be paid the principal of and interest on the Bonds, at the dates and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall pay or cause to be paid to the Trustee any part of any Sinking Fund Installments pursuant to any provision of this General Indenture, all from the Trust Estate pledged hereunder and any other assets pledged pursuant to a Series Indenture; provided, that the Bonds shall be special, limited obligations of the Commission as set forth more fully in Section 2.01 hereof.

SECTION 503. *Payment of Lawful Charges.* The Commission shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon the Commission or in respect of the Program or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Program, and shall not create or suffer to be created any lien or charge upon the Revenues, or upon the Funds or Accounts created by this General Indenture, except the pledge and lien created by this General Indenture for the payment of the principal and Redemption Price and interest on the Bonds.

SECTION 504. *Pledge of Trust Estate.* The Trust Estate is hereby pledged to the payment of the principal and Redemption Price of, Sinking Fund Installments with respect to and interest on the Bonds in accordance with the terms and provisions of this Indenture, and the Trustee is hereby granted a security interest therein subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture. The Commission shall cause to be filed or recorded all such financing statements, continuation statements and other instruments as may be necessary to perfect, and maintain perfected, the security interests created by this Section 504 to the extent that such perfection can be accomplished by such filing, and the Commission shall provide a copy of any such filing to the Trustee promptly upon the filing thereof.

In addition, the Commission may pledge additional assets and revenues to the Bonds or any Series of Bonds pursuant to a Supplemental Indenture or a Series Indenture.

SECTION 505. *Tax Covenants.* The provisions of this Section 505 shall apply only to the Bonds as to which the related Series Indenture shall determine that interest thereon shall be excludable from gross income for federal income tax purposes. The Commission shall take no action which may render interest on the Bonds subject to inclusion in gross income for federal income tax purposes and shall at all times do and perform all acts and things permitted by law

and necessary or desirable in order to assure that interest paid by the Commission on the Bonds shall not be includable in gross income for federal income tax purposes.

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

SECTION 506. *Accounts and Reports.*

(A) The Commission 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 General Indenture, which shall at all reasonable times be subject to the inspection of the Trustee.

(B) Annually, within [_____] ([_____] months after the close of each Fiscal Year, the Commission shall cause a report of audit of its financial records and an Auditor’s Opinion with respect thereto to be made and filed with the Trustee. The report shall (i) show revenues and expenses for the Fiscal Year, (ii) show assets, liabilities and fund balances at the end of the Fiscal Year, including all Funds and Accounts established by this General Indenture (which may be consolidated) and (iii) contain a section which updates the Program information required by any Continuing Disclosure Agreement for the Program. Notwithstanding any other provision of this General Indenture, revenues and expenses shall be accrued, and assets shall be valued in such manner as is deemed by the Commission and the accountant issuing the Auditor’s Opinion to be necessary to present fairly the results of operations for the Fiscal Year and the financial position of such Funds and Accounts at the end of the Fiscal Year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding Fiscal Year.

SECTION 507. *Compliance with Conditions Precedent.* Upon the Issue Date of any of the Bonds, all conditions, acts and things required by law or by this General Indenture or applicable Series Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, and such Bonds, together with all other indebtedness of the Commission, shall be within every debt and other limit prescribed by law.

SECTION 508. *Further Assurance.* At any and all times, the Commission shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning or confirming all and singular the rights, Revenues, Funds and Accounts pledged, assigned and established pursuant to this General Indenture, including the moneys, securities and Permitted Investments hereby pledged

or assigned, or assigned in trust, or intended so to be, or which the Commission may hereafter become bound to pledge or assign in trust.

SECTION 509. Powers as to Bonds and Pledge. The Commission is duly authorized, pursuant to law, to authorize and issue the Bonds, to adopt this General Indenture and to pledge the Trust Estate established by this General Indenture, including the money, Permitted Investments and securities therein purported to be pledged, in the manner and to the extent provided in this General Indenture, and to assign, transfer and set over unto the Trustee in trust the proceeds of the sale of the Bonds held in such Funds or the Accounts thereof or any securities or Permitted Investments purchased with such proceeds of the sale of Bonds, including the income thereof, purported to be so assigned in trust by this General Indenture, in the manner and to the extent provided in this General Indenture. The Trust Estate so pledged and the proceeds of sale of the Bonds so held in trust are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment in trust created by this General Indenture, and all corporate action on the part of the Commission to that end has been duly and validly taken. The Bonds and the provisions of this General Indenture are and will be the valid and legally enforceable obligations of the Commission in accordance with their terms and the terms of this General Indenture. The Commission shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate so pledged under this General Indenture, and the assignment in trust of the proceeds of sale of the Bonds created by this General Indenture, and all the rights of the Bondholders and any other rights secured under this General Indenture, against all claims and demands of all persons whomsoever.

SECTION 510. Cash Flow Certificates.

(A) The Commission shall file a Cash Flow Certificate with the Trustee (i) whenever Bonds are issued pursuant to Section 203 hereof, (ii) prior to or concurrent with the issuance or conversion (i.e., in conjunction with the resetting of the interest rate thereon) of any Series of Bonds, (iii) no later than nine (9) months following the end of each Fiscal Year and (iv) at such other times as required by this General Indenture or as may be required by a Supplemental Indenture, and may file a Cash Flow Certificate at any time in its discretion; provided that the Commission is not required to file a Cash Flow Certificate as aforesaid if the Commission certifies to the Trustee that the assumptions for the most recently filed Cash Flow Certificate still reflect the Commission's reasonable expectations; and provided further that the Commission is not required to file a Cash Flow Certificate as required by (iii) above if the Commission notifies each Rating Agency then rating the Bonds of the Commission's intention to not prepare a new Cash Flow Certificate and each such Rating Agency does not object to the same within ten (10) days, in which case such most recently filed Cash Flow Certificate shall be deemed a newly filed Cash Flow Certificate as required aforesaid.

(B) A Cash Flow Certificate shall set forth projected Revenues, Program Expenses and the interest payments and Principal Installments for each Bond Year during which Bonds will be Outstanding based upon the reasonable expectations of the Commission at the time such Cash Flow Certificate is filed. The Cash Flow Certificate shall set forth the assumptions upon which the estimates therein are based, which assumptions shall be based upon the Commission's reasonable expectations at the time such Cash Flow Certificate is filed. Except with respect to

actions being taken contemporaneously with the delivery of a Cash Flow Certificate, events reflected in a Cash Flow Certificate may be as of a date or reasonably adjusted to a date not more than nine (9) months prior to the date of delivery of such statement.

(C) The listing of Revenues from Loans and Permitted Investments shall be supported by a schedule identifying the Loans and Permitted Investments by maturity and interest rate.

SECTION 511. *Recordation of the Indenture and Filing of Security Instruments.*

(A) The Commission shall cause this General Indenture and all supplements hereto and thereto, together with all other security instruments and financing statements, to be recorded and filed, as the case may be, if required by law for perfection of the security interests created therein, in such manner and in such places as may be required by law in order to perfect the lien of, and the security interests created by, this General Indenture.

(B) The Trustee hereby covenants that it will cause to be filed from time to time all continuation statements under the Uniform Commercial Code of the State as in the opinion of counsel to the Trustee are necessary to preserve the lien of, and the security interests created by this General Indenture, and will cause to be filed and recorded, as the case may be, all other documents in such manner and in such places as the Trustee may deem necessary in order to protect and maintain in force the lien of, and the security interests created by, this General Indenture.

(C) The Commission shall promptly notify the Trustee of any change in its name or in the address of its principal place of business.

ARTICLE VI

GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 601. *Medium of Payment; Form and Date.*

(A) The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any 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.

(B) The Bonds of each Series shall be issued in the form of fully registered Bonds as more fully specified by the Series Indenture.

(C) Registered Bonds of each Series shall be dated and shall bear interest payable as specified in the Series Indenture; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the registered Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds surrendered.

SECTION 602. *Legends.* The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this General Indenture as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the Commission prior to the delivery thereof.

SECTION 603. *Execution.* The Bonds shall be executed in the name of the Commission by the manual or facsimile signature of its Chairman or its Vice Chairman, attested by the manual or facsimile signature of such officer or employee of the Commission as shall be directed by the Series Indenture authorizing the issuance thereof or in such other manner as may be required by law. In case any one or more of the commissioners, officers or employees of the Commission who shall have signed any of the Bonds or whose signature appears on any of the Bonds shall cease to be such commissioner, 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 signature appears thereon had not ceased to hold such office or be so employed. Any Bond of a Series may be signed on behalf of the Commission by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Commission, although as the Issue Date of the Bonds of such Series such persons may not have been authorized or have held such office or employment. However, no Bond shall be entitled to any benefit under this General Indenture or any Series Indenture, or be valid or obligatory for any purpose, until and unless the Trustee has executed thereon a certificate authenticating the same, manually signed by a person authorized by the Trustee to execute such certificate on its behalf.

SECTION 604. *Interchangeability.* Registered Bonds, upon surrender thereof at the Principal Office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity.

SECTION 605. *Negotiability, Transfer and Registry.* All the Bonds issued under this General Indenture shall be negotiable as provided in Article 8 of the Uniform Commercial Code, subject to the provisions for registration and transfer contained in this General Indenture, the Series Indentures and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Commission shall maintain and keep, at the Principal Office of the Trustee, books for the registration and transfer of Bonds, and upon presentation thereof for such purpose at said office, the Commission shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds remain Outstanding, the Commission shall make all necessary provisions to permit the exchange of Bonds at the Principal Office of the Trustee.

SECTION 606. *Record Date; Special Record Date.* Except as may be otherwise provided in a Series Indenture, interest on each Bond shall be payable to the owner in whose name such Bond is registered at the close of business on the fifteenth day (whether or not a business day) preceding each Interest Payment Date, without regard to any transfer or exchange of such Bond after such day, unless the Commission shall default in the payment of interest due on such Bond on such Interest Payment Date, in which case such defaulted interest shall be payable to the owner in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice transmitted by the Trustee to the owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be transmitted to the owners in whose names such Bonds are registered at the close of business on the fifth day (whether or not a business day) preceding the date of transmission.

SECTION 607. *Transfer of Registered Bonds.*

(A) Each registered Bond shall be transferable only upon the books of the Commission, at the Principal Office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the Commission shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bonds.

(B) The Commission and any Fiduciary may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the Commission as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; neither the Commission nor any Fiduciary shall be affected by any notice to the contrary. The Commission agrees to indemnify and save any Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without gross negligence hereunder, in so treating such registered owner.

SECTION 608. *Regulations for Exchange and Transfer.* In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Commission shall execute and deliver Bonds in accordance with the provisions of this General Indenture. All Bonds surrendered in any such exchanges or transfers shall be held by the Trustee in safekeeping until directed by the Commission to be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Commission 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 Commission shall not be obligated to make any such exchange or transfer of Bonds of any Series during the ten (10) days next preceding an Interest Payment Date on the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, then during the ten (10) days next preceding the date of the first transmission of notice of such redemption.

SECTION 609. *Bonds Mutilated, Destroyed, Stolen or Lost.* In case any Bond shall become mutilated or be destroyed, stolen or lost, the Commission shall execute and deliver a new Bond of like Series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Commission evidence satisfactory to it and complying with such other reasonable regulations as the Commission may prescribe and paying such expenses as the Commission may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it. The Commission shall advise the Trustee and Paying Agents by an Officer's Certificate of the issuance of substitute Bonds.

SECTION 610. *Temporary Bonds.* Until the definitive Bonds of any Series are prepared, the Commission may execute, in the same manner as is provided in Section 603, and upon the request of the Commission, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and to exchangeability for Bonds, one or more temporary Bonds which shall be registered as to principal and interest. Such temporary Bonds shall be substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations or maturity amounts authorized by the Commission in the related Series Indenture, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds shall be payable only upon presentation of such temporary Bonds for notation thereon of the payment of such interest. The Commission at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds, for exchange and cancellation, the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, at the principal or corporate trust office of the Trustee, definitive Bonds, of the same aggregate Principal Amount and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Indenture. All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

SECTION 611. *Extension of Payment of Bonds.* The Commission shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds by the purchase or funding of such Bonds or by any other arrangement; in case the maturity of any of the Bonds

shall be extended, such Bonds shall not be entitled, in case of any default under this General Indenture, to the benefit of this General Indenture or to any payment out of any assets of the Commission or the funds (except funds held in trust for the payment of particular Bonds) held by any Fiduciary, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has occurred and has not been extended. Nothing herein shall be deemed to limit the right of the Commission to issue refunding Bonds as provided in Article II hereof, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond.

SECTION 612. *Money Held for Particular Bonds.* The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, pending such payment, be set aside and held in trust by it for the Holders of the Bonds, and for the purposes of this General Indenture, such interest, principal or Redemption Price, after the due date thereof, shall no longer be considered to be unpaid. Anything in this Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the Commission, be repaid by the Fiduciary to the Commission, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged.

SECTION 613. *Cancellation of Bonds; Exception.* All Bonds surrendered for redemption, payment, replacement or exchange, if surrendered to the Trustee, shall be promptly cancelled by it, and, if surrendered to any person other than the Trustee, shall be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it. The Commission may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder, which Bonds so delivered shall be promptly cancelled by the Trustee. All cancelled Bonds held by the Trustee shall be destroyed by a method selected by the Trustee. The Trustee shall cancel and destroy such Bonds in accordance with its retention policy then in effect.

Notwithstanding the foregoing, Bonds purchased by the Commission shall not be cancelled to the extent that upon such purchase the Commission shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond is being purchased with the intention that it will be resold rather than cancelled and (ii) in the event the interest on such Bonds is excludable from the gross income of the recipient thereof for purposes of federal income taxation, a Bond Counsel's Opinion to the effect that the failure to cancel the Bond will not adversely affect such excludability.

SECTION 614. *Book-entry Form of Bonds.* Notwithstanding anything herein to the contrary, the Commission may elect, in the related Series Indenture, that Bonds for a particular Series be registered pursuant to a book-entry system, without certificates being provided or available to the registered owner thereof.

ARTICLE VII

REDEMPTION OF BONDS

SECTION 701. *Procedure and Prices.* The Bonds of any Series which are redeemable prior to maturity shall be subject to redemption by or on behalf of the Commission prior to maturity, upon receipt by the Trustee of the Officer's Certificate referred to in Section 702 and upon notice as provided in this Article, to such extent, through application of such moneys, at such time or times, in such order and on such other terms and conditions as shall be provided by this General Indenture and the applicable Series Indenture and, in all cases, at a price equal to the principal amount of each Bond or portion thereof to be redeemed, plus such redemption premium or differing redemption premiums (if any), as shall be set forth in said Bonds and applicable upon such redemption, together with interest accrued to the redemption date. If less than all of the Bonds of such Series of like maturity then Outstanding are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in such manner as the Trustee may determine unless otherwise provided by a Series Indenture as to the Bonds therein authorized.

SECTION 702. *Selection of Bonds To Be Purchased or Redeemed.*

(A) Any Bonds to be purchased or redeemed by the Trustee, except as part of a Sinking Fund Installment, shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of an Officer's Certificate determining or certifying the following:

- (1) the Series of Bonds to be purchased or redeemed;
- (2) the maturities within such Series from which Bonds are to be purchased or redeemed;
- (3) the principal amount and maximum price of Bonds within such maturities to be purchased or redeemed;
- (4) if any of the Bonds to be purchased or redeemed, as designated in clauses (1) through (3) above, are Term Bonds, the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined are to be reduced, provided that the aggregate of such reductions in Sinking Fund Installments shall equal the aggregate principal amount of Term Bonds to be purchased or redeemed; and
- (5) that upon purchase or redemption of Bonds pursuant to the determinations made under the provisions of clauses (1) through (4) hereinabove, the Commission will be in compliance with its covenant contained in paragraph (C) of this Section 702.

(B) The Commission shall give written notice to the Trustee of its election to redeem Bonds which are subject to optional redemption and of the redemption date at least twenty-five (25) days prior to the redemption date or at such later date as shall be acceptable to the Trustee. If the required notice of redemption shall have been given, the Commission covenants that it will, prior to the redemption date, pay to the Trustee an amount of cash which, in addition to any other moneys available therefor held by the Trustee, will be sufficient to redeem at the

Redemption Price thereof, plus interest accrued to the redemption date, all of the Bonds which are to be redeemed; provided that if the notice of redemption shall have been conditioned on the availability of funds, the Trustee or the Commission shall pay over such sums as are so available.

(C) The Commission will not at any time cause Bonds to be purchased or redeemed, if this would have any material adverse effect on its ability to pay, when due, the Principal Installments of and interest on the Bonds Outstanding after such purchase or redemption.

SECTION 703. *Selection of Bonds To Be Redeemed.* In the event of redemption of Bonds of like Series and maturity, the Trustee shall assign to each registered Bond of such Series and maturity then Outstanding a distinctive number for each denomination of the principal amount of each Bond set forth in the applicable Series Indenture and shall select by lot, or by such method of selection as it shall deem proper in its discretion, and from the numbers so assigned to such registered Bonds, as many numbers as, at such denomination for each number, shall equal the amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds of the authorized denomination bearing the numbers so selected, but only so much of the amount of each such registered Bond shall be redeemed as shall equal such denomination for each number assigned to it and so selected. For the purposes of this Section, Bonds or portions of Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

SECTION 704. *Notice of Redemption.* When the Trustee shall be required or authorized, or shall receive notice from the Commission of its election pursuant to Section 702, to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of this General Indenture and applicable Series Indenture, select the Bonds to be redeemed and shall give notice, in the name of the Commission, of the redemption of Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, any conditions to be satisfied prior to such redemption, the redemption date and the place or places where amounts due upon such redemption will be payable, and if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and in the case of a registered Bond to be redeemed in part only, such notice shall also specify the portion thereof to be redeemed. Such notice shall further state that, if all conditions (if any) to the redemption have been satisfied as of such date, on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portion thereof in the case of a registered Bond to be redeemed in part only, with interest accrued to such date, and that from and after such date, interest thereon shall cease to accrue and be payable; provided that, if the redemption is conditioned upon funds being available therefor on the redemption date, the notice shall so state. Such notice shall be given in such manner as may be required by a Series Indenture. The Trustee shall also transmit a copy of such notice not less than twenty (20) days before such redemption date (or such shorter period as may be acceptable to the then-registered owner), to the registered owner of any Bond, all or a portion of which is to be redeemed at his last address, if any, appearing upon the registry books, but failure so to transmit any such notice shall not be a condition precedent to or affect the validity of any proceedings for the redemption of Bonds. If at the time of transmission of a notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption and such notice states that redemption is conditional upon the deposit of the redemption moneys with the Trustee not

later than the opening of business on the redemption date, such notice shall be of no effect unless such moneys are so deposited.

SECTION 705. *Payment and Cancellation of Bonds Redeemed and Purchased.*

Notice having been given in the manner provided in Section 704 (and if said notice shall have been conditioned on the availability of funds on the redemption date, then to the extent such funds are so available), the Bonds or portions thereof called for redemption and specified in said notice shall become due and payable on the redemption date specified in said notice at the Redemption Prices thereof applicable on such date, plus unpaid interest on said Bonds or portions thereof accrued to such date, and upon presentation and surrender thereof at the place or places specified in said notice together with a written instrument of transfer duly executed by the registered owner thereof or by his attorney duly authorized in writing, said Bonds or portions thereof shall be paid at the said Redemption Prices, plus unpaid interest on said Bonds or portions thereof accrued to such date. If there shall be so called for redemption less than all of a registered Bond, the Commission shall execute and cause to be delivered, upon the surrender of such Bond to the Trustee, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, at the option of the owner thereof, Bonds of like Series, designation, interest rate and maturity. If, on such redemption date, money for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee so as to be available therefor on such date, and if notice of redemption thereof shall have been published as aforesaid, then, from and after such redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable, and said Bonds or portions of Bonds shall no longer be considered Outstanding hereunder. All money held by or on behalf of the Trustee for the redemption of particular Bonds shall be held in trust for the account of the Holders of the Bonds so to be redeemed. All Bonds redeemed or purchased in accordance with the provisions of this General Indenture shall be cancelled by the Trustee.

Notwithstanding the foregoing, Bonds purchased by the Commission shall not be cancelled to the extent that upon such purchase the Commission shall have delivered to the Trustee (i) a Certificate of an Authorized Officer to the effect that such Bond is being purchased with the intention that it will be resold rather than cancelled and (ii) in the event the interest on such Bonds is excludable from the gross income of the recipient thereof for purposes of federal income taxation, a Bond Counsel's Opinion to the effect that the failure to cancel the Bond will not adversely affect such excludability.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

SECTION 801. *Supplemental Indentures Effective Upon Filing.* For any one or more of the following purposes, and at any time or from time to time, an indenture supplementing this General Indenture may be adopted, which indenture, upon filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) to close this General Indenture against or provide limitations and restrictions in addition to the limitations and restrictions contained in this General Indenture on the issuance in future of Bonds or of other notes, bonds, obligations or evidences of indebtedness;

(2) to add to the covenants or agreements of the Commission in this General Indenture, other covenants or agreements to be observed by the Commission which are not contrary to or inconsistent with this General Indenture as theretofore in effect;

(3) to add to the limitations or restrictions in this General Indenture, other limitations or restrictions to be observed by the Commission which are not contrary to or inconsistent with this General Indenture as theretofore in effect;

(4) to surrender any right, power or privilege reserved to or conferred upon the Commission by this General Indenture;

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this General Indenture, of the Revenues or any other money, securities, Funds or Accounts; or

(6) to specify, determine or authorize by Series Indenture any and all matters and things relative to the Bonds of a Series or the proceeds thereof which are not contrary to or inconsistent with this General Indenture as theretofore in effect.

SECTION 802. *Supplemental Indentures Effective Upon Consent of Trustee.* For any one or more of the following purposes and at any time or from time to time, an indenture of the Commission, amending or supplementing this General Indenture, may be adopted, which, upon (i) filing with the Trustee of a copy thereof certified by an Authorized Officer and (ii) filing with the Trustee and the Commission of an instrument in writing made by the Trustee consenting to such indenture, shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this General Indenture;

(2) to insert such provisions clarifying matters or questions arising under this General Indenture as are necessary or desirable and are not contrary to or inconsistent with this General Indenture as theretofore in effect, all as certified to the Trustee in an Officer's Certificate; or

(3) to make any other change as shall not be, in the opinion of the Trustee, materially adverse to the security or other interests of the Bondholders (and the Trustee may rely upon the nationally recognized Rating Agencies then rating the Bonds at the request of the Commission as to whether the rating of the Bonds will be adversely affected as conclusively establishing whether the change is materially adverse to the security of the Bondholders).

SECTION 803. *Supplemental Indentures Not Affecting Bondholders.* At any time or from time to time, an indenture of the Commission amending or supplementing this General Indenture may be adopted, modifying any of the provisions of this General Indenture or releasing the Commission from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided that (i) no Bonds are Outstanding at the time the indenture becomes effective or (ii) such indenture, by its terms, is applicable only to the obligations, covenants, agreements, limitations, conditions and restrictions of and upon the Commission in relation to the Holders of Bonds issued after it becomes effective. Any such indenture shall become effective upon adoption or at such other time as may be provided therein.

SECTION 804. *Restriction on Amendments.* This General Indenture shall not be modified or amended in any respect, except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of the Commission to pass, make, do, execute, acknowledge or deliver any indenture, act, deed, conveyance, assignment, transfer or assurance pursuant to the provisions of Article V or the right or obligation of the Commission to execute and deliver to any Fiduciary any instrument which elsewhere in this General Indenture it is provided shall be delivered to said Fiduciary.

SECTION 805. *Adoption and Filing of Supplemental Indentures.* Any indenture of the Commission referred to and permitted or authorized by Section 801, 802 or 803 may be adopted by the Commission without the vote or consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Every such indenture so becoming effective shall thereupon form a part of this General Indenture. The copy of every such indenture when filed with the Trustee shall be accompanied by a Counsel's Opinion to the effect that such indenture has been duly and lawfully adopted by the Commission in accordance with the provisions of this General Indenture, is authorized or permitted by the provisions of this General Indenture and, when effective, will be valid and binding upon the Commission and enforceable in accordance with its terms.

SECTION 806. *Authorization to Trustee.* The Trustee is authorized to accept the delivery of a certified copy of any indenture of the Commission referred to and permitted or authorized by Section 801, 802 or 803, to consent to such indenture and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on a Counsel's Opinion that such indenture is authorized or permitted by the provisions of this General Indenture or contains no provisions which are contrary to or inconsistent with this General Indenture as theretofore in effect, and the Trustee shall be entitled to receive such opinion and to so rely.

ARTICLE IX

AMENDMENTS

SECTION 901. *Transmission of Notice of Amendment.* Any provision in this Article relative to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is transmitted only (i) to each registered owner of any Bonds then Outstanding at his last address, if any, appearing upon the registry books and (ii) to the Trustee.

SECTION 902. *Powers of Amendment.* Any modification or amendment of this General Indenture and of the rights and obligations of the Commission and of the Holders of the Bonds, in any particular, may be made by a Supplemental Indenture with the written consent, given as hereinafter provided in Section 903, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given; provided, however, that if such modification or amendment, by its terms, will not take effect so long as any Bonds of any specified Series, maturity and interest rate remain Outstanding or will not affect the obligations, covenants, agreements, limitations, conditions and restrictions of and upon the Commission in relation to the Holders of such Bonds, the consent of the Holders of such Bonds shall not be required, and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the description of Bonds, the consent of the Holders of which is required to effect any such modification or amendment. Such modification or amendment shall not change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the Fiduciary's written assent thereto.

SECTION 903. *Consent of Bondholders.* The Commission may at any time adopt and file an indenture of the Commission making a modification or amendment permitted by the provisions of Section 902, to take effect when and as provided in this Section. A copy of such indenture, together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be transmitted by the Commission to Bondholders (but failure to transmit such copy and request shall not affect the validity of such indenture when consented to as in this Section provided). Such indenture shall not be effective unless and until, and shall take effect in accordance with its terms when there shall have been filed with the Trustee (a) the written consents of Holders of the percentage of Outstanding Bonds specified in Section 902 and (b) a Counsel's Opinion stating that such indenture has been duly and lawfully adopted by the Commission in accordance with the provisions of this General Indenture, is authorized or permitted by the provisions of this General Indenture, and, when effective, will be valid and binding upon the Commission and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by evidence as provided by Section 1202 that such consent has been executed by a Holder of Bonds as of the date such consent is given. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), but, notwithstanding the provisions of

Section 1202, such consent may be revoked in writing by the filing with the Trustee, not later than the time when the written statement of the Trustee hereinafter in this Section provided for is filed, such a revocation and such a revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentage of Bonds shall have filed their consents to such indenture, the Trustee shall make and file with the Commission a written statement that the Holders of such required percentage of Bonds have filed and given such consents and that proof of the holding of such Bonds has been examined and found sufficient by the Trustee under the provisions of Section 1202. Such written statement shall be conclusive that such consents have been so filed and have been given. At any time thereafter notice, stating in substance that such indenture (which may be referred to as an indenture adopted by the Commission on a stated date a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentage of Bonds and will be effective as provided in this Section, and may be transmitted to Bondholders (but failure to transmit such notice shall not prevent such indenture from becoming effective and binding as in this Section provided). The Commission shall file with the Trustee proof of transmitting such notice to Bondholders. A record, consisting of the papers required or permitted by this Section to be made by or filed with the Trustee, shall be proof of the matters therein stated. Such indenture making such modification or amendment shall be deemed conclusively binding upon the Commission, the Fiduciaries and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of proof of the transmission of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such indenture in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that any Fiduciary and the Commission, during such thirty (30) day period and any further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such amendment as they may deem expedient.

SECTION 904. *Modifications by Unanimous Consent.* Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article, the terms and provisions of this General Indenture, and the rights and obligations of the Commission and the Holders of the Bonds, in any particular, may be modified or amended in any respect upon the adoption by the Commission and filing in accordance with the provisions of Article VIII of an amending indenture of the Commission making such modification or amendment and the consent to such indenture of the Holders of all of the Bonds then Outstanding, such consent to be given and proved as provided in Section 903, except that no notice to Bondholders, either by mailing or publication, shall be required; provided, however that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the Fiduciary's written assent thereto.

SECTION 905. *Exclusion of Bonds.* Bonds owned or held by or for the account of the Commission shall be excluded and shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Commission shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action under this

Article, the Commission shall furnish the Trustee an Officer's Certificate, upon which the Trustee may rely, describing all Bonds so to be excluded.

SECTION 906. *Notation on Bonds.* Bonds delivered after the effective date of any action taken as in Article VIII or this Article provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Commission and the Trustee as to such action, and upon demand of the Holder of any Bond Outstanding at such effective date and presentation of such Bond for the purpose at the Principal Office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Commission or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Commission, to conform to such action may be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding may be exchanged, without cost to such Bondholder, for Bonds of the same Series, designation, maturity and interest rate then Outstanding, upon surrender of such Bonds. Every Holder of any Outstanding Bond shall, however, by his purchase and retention of such Bond, be deemed to consent to be bound by every Supplemental Indenture and every modification and amendment of this General Indenture adopted in accordance with the provisions of Article VIII or this Article, whether or not noted or endorsed on or incorporated in such Bond.

SECTION 907. *Contracts or Indentures.* The Commission, so far as it may be authorized by law, may, and if requested by any Fiduciary, shall, enter into a contract or an indenture with any Fiduciary giving effect to any modification or amendment of this General Indenture as hereinabove in Article VIII or this Article provided.

ARTICLE X

REMEDIES ON DEFAULT

SECTION 1001. *Powers of Trustee.* The Commission hereby determines that there shall be, and there hereby are, vested in the Trustee, in addition to all its property, rights, powers and duties mentioned or referred to in any other provision of this General Indenture, the rights, powers and duties in this Article provided, in trust for the Bondholders. The Trustee shall exercise during the continuance of an Event of Default such of the rights and powers vested in it by this General Indenture, and shall use the same degree of care and skill in their exercise, as a prudent man/person would use under the circumstances in the conduct of his/her own affairs.

SECTION 1002. *Events of Default.* Each of the following shall constitute an event of default under this General Indenture and is herein called an “*Event of Default*”:

(1) interest on any of the Bonds is not paid on any date when due, or the principal or Redemption Price of any Bonds is not paid at maturity or at a redemption date at which the Bonds have been called for redemption;

(2) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid and ceased to be Outstanding on any Sinking Fund Installment Date of a principal amount equal to the Sinking Fund Installment fixed or established with respect to such Bonds for said date;

(3) a default shall be made in the observance or performance of any covenant, contract or other provision contained in the Bonds, this General Indenture, any Supplemental Indenture or applicable Series Indenture and such default shall continue for a period of ninety (90) days after written notice to the Commission from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or

(4) there shall be filed a petition seeking a composition of indebtedness of the Commission under any applicable law or statute of the United States or of the State.

SECTION 1003. *Enforcement by Trustee.* Upon the happening and continuance of an Event of Default described in any of the clauses of the preceding Section 1002 (and after written notice to the Commission in the case of Events of Default described in clauses (1) and (2) thereof), the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds, and any other persons secured hereunder, may proceed, and upon the written request of Bondholders as provided in Section 1008, shall proceed, subject to the provisions of Section 1103, to protect and enforce its rights and to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under this General Indenture by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant or contract contained herein or in aid or execution of any power herein granted or for any proper legal or equitable remedy, as the Trustee shall deem most effectual, to protect and enforce the rights aforesaid. The Trustee shall not be deemed to have knowledge of any Event of Default, other than those specified in Section 1002(1) or (2), unless specifically notified in writing by a majority in principal amount of the

Series of Bonds to which such Event of Default relates or by the Commission, and in the absence of any such notice, the Trustee may conclusively assume that no such Event of Default exists.

SECTION 1004. *Representation of Bondholders by Trustee.* The Trustee is hereby irrevocably appointed (and the Bondholders, by accepting and holding the same, shall be conclusively deemed to have appointed the Trustee and to have mutually covenanted and agreed, each with the other, not to revoke such appointment) the true and lawful attorney in fact of the Bondholders with power and authority, at any time in its discretion:

(1) pursuant to this General Indenture or the Act or any law, after the happening of an Event of Default, (i) by mandamus or other prerogative writ or action in lieu thereof or by other suit, action or proceeding in equity or at law, to enforce all rights of the Bondholders, including the right to require the Commission and the members and officers thereof to fulfill any covenant or agreement with the Bondholders and to perform its and their duties under this General Indenture and the Act, (ii) to bring suit upon the Bonds, (iii) by action or suit in equity, to require the Commission to account as if it were a trustee of an express trust for the Bondholders, (iv) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders, (v) to declare the Series of Bonds to which such Event of Default relates to be immediately due and payable by delivery of written notice of acceleration to the Commission, (vi) to file a proof of claim in a bankruptcy or similar such proceeding on behalf of the Holders of the Series of Bonds to which such Event or Events of Default relates, as creditors or (vii) to take such action with respect to any and all Mortgages, as the Trustee shall deem necessary and appropriate, subject to the terms of such Mortgages; and

(2) to make and file in any proceeding in bankruptcy or judicial proceeding for reorganization or liquidation of the affairs of the Commission, either in the respective names of the Bondholders or on behalf of all the Bondholders as a class, any proof of debt, amendment of proof of debt, petition or other document, to receive payment of any sums becoming distributable to the Bondholders, and to execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable, in the opinion of the Trustee, to have the respective claims of the Bondholders against the Commission allowed in any bankruptcy or other proceeding.

SECTION 1005. *Limitation on Powers of Trustee.* Nothing in this General Indenture contained shall be deemed to give power to the Trustee, either as such or as attorney in fact of the Bondholders, to vote the claims of the Bondholders in any bankruptcy proceeding; to accept or consent to any plan of reorganization, readjustment, arrangement or composition or other like plan; by other action of any character, to waive or change any right of any Bondholders; or to give consent on behalf of any Bondholder to any modification or amendment of this General Indenture requiring such consent or to any indenture requiring such consent pursuant to the provisions of Article VIII or Article IX.

SECTION 1006. *Action by Trustee.*

(A) All rights of action under this General Indenture or upon any of the Bonds, enforceable by the Trustee, may be enforced by the Trustee without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee may be brought in its name for the ratable benefit of the Holders of said Bonds, subject to the provisions of this General Indenture.

(B) In the enforcement of any rights under this General Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due for principal, interest or otherwise under any of the provisions of the Act or this General Indenture or of the Bonds with interest on overdue payments, 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 Bondholders, and to recover and enforce judgment or decree against the Commission for any portion of such amounts remaining unpaid, with interest, costs and expenses as aforesaid, and to collect, in any manner provided by law, the moneys adjudged or decreed to be payable.

(C) In any action, suit or other proceeding by the Trustee, the fees, counsel fees and expenses of the Trustee shall constitute taxable costs and disbursements, and all costs and disbursements, allowed by the court, shall be a first charge on the Revenues.

SECTION 1007. *Accounting and Examination of Records After Default.* The Commission covenants with the Trustee that if an Event of Default shall have happened and shall not have been remedied:

(1) the books of record and account of the Commission and all records relating to the Program shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys; and

(2) the Commission, whenever the Trustee shall demand, will account as if it were the trustee of an express trust for all Revenues and other money, securities and Funds and Accounts pledged or held under this General Indenture for such period as shall be stated in such demand.

SECTION 1008. *Restriction on Bondholder's Action.*

(A) No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of this General Indenture or for the execution of any trust hereunder or for any other remedy hereunder, unless:

(1) such Holder previously shall have given to the Commission and the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted;

(2) after the occurrence of such Event of Default, written request shall have been made of the Trustee to institute such suit, action or proceeding by the Holders of not less than a majority in principal amount of the Bonds then Outstanding or if such Event

of Default is one described in clause (1) or clause (2) of Section 1002, by the Holders of not less than a majority in principal amount of the Bonds then Outstanding of the Series with respect to which such Event of Default has happened;

(3) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs and liabilities to be incurred therein or thereby;

(4) the Trustee shall have refused or neglected to comply with such request within a reasonable time; and

(5) such suit, action or proceeding is brought for the ratable benefit of all Holders of all Bonds, subject to the provisions of this General Indenture.

(B) No Holder of any Bond shall have any right in any manner whatever by his action to affect, disturb or prejudice the pledge of Revenues or any other moneys, securities, Funds or Accounts hereunder, or, except in the manner and on the conditions in this Section provided, to enforce any right or duty hereunder.

SECTION 1009. *Application of Money after Default.*

(A) All money collected by the Trustee at any time pursuant to this Article shall, except to the extent, if any, otherwise directed by the court, be paid by the Trustee into the Revenue Fund and other funds described in Article IV, and shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article IV, particularly Section 403 thereof.

(B) If at any time the amounts in the Revenue Fund and any other funds held by the Commission or Fiduciaries available for the payment of interest or principal or Redemption Price then due with respect to Bonds shall be insufficient for such payment, such amounts (other than amounts held for the payment or redemption of particular Bonds as provided in Section 612) shall be applied as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due (including regularly scheduled payments due under a Qualified Hedge Agreement which are equivalent to Bond interest, but not including fees, expenses or payments due upon the early termination of a Qualified Hedge Agreement), in the order of the maturity of such installments, and if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by required call for redemption as part of a Sinking Fund Installment, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds so due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(C) If the principal of all the Bonds shall have become or have been declared due and payable, such amounts (other than amounts held for the payment or redemption of particular Bonds as provided in Section 612) shall be applied to the payment of the principal and interest (including regularly scheduled payments due under a Qualified Hedge Agreement which are equivalent to Bond interest, but not including fees, expenses or payments due upon the early termination of a Qualified Hedge Agreement) then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

SECTION 1010. Remedies Not Exclusive. No remedy by the terms of this General Indenture conferred upon or reserved to the Trustee (or to Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 1011. Control of Proceedings. In the case of an Event of Default described in clause (1) or clause (2) of Section 1002, the Holders of a majority in principal amount of the Bonds then Outstanding of the Series with respect to which such Event of Default has happened, or in the case of an Event of Default described in clause (3) or (4) of Section 1002, the Holders of a majority in principal amount of the Bonds then Outstanding shall have the right, subject to the provisions of Section 1008, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee; provided, however, that the Trustee shall have the right to decline to follow any such direction, if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 1012. Effect of Waiver and Other Circumstances. No delay or omission of the Trustee or of any Holders of 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 acquiescence therein, and every right, power and remedy given by this General Indenture to them or any of them may be exercised from time to time and as often as may be deemed expedient by the Trustee or when so provided by this General Indenture, by the Bondholders. In case the Trustee shall have proceeded to enforce any right under this General Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case, the Commission and the Trustee will be restored to their former positions and rights hereunder with respect to all rights, remedies and powers of the Trustee, which shall continue as if no such proceedings had been taken.

SECTION 1013. Right To Enforce Payment of Bonds Unimpaired. Nothing in this Article contained shall affect or impair the right of any Bondholder to enforce the payment of the

principal of and interest on his Bonds or the obligation of the Commission to pay the principal of and interest on each Bond to the Holder thereof, at the time and place expressed in said Bond.

ARTICLE XI

THE FIDUCIARIES

SECTION 1101. *Trustee and Depositories; Appointment and Acceptance.*

(A) [TRUSTEE] is hereby appointed as Trustee. The Trustee hereby signifies its acceptance of the duties and obligations imposed upon it by this General Indenture by executing this General Indenture.

(B) The Commission may by Series Indenture appoint Depositories of money held under the provisions of this General Indenture, each of whom shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital surplus and undivided profits aggregating at least \$50,000,000 and qualified under the provisions of Section 1105 to receive deposits in the amounts from time to time held by it as invested trust accounts or time deposits. Each Depository shall signify its acceptance of the duties and obligations imposed upon it by this General Indenture by executing and delivering to the Commission and the Trustee written acceptance thereof. The Trustee may be a Depository of any Fund, subject to the provisions of Section 1105.

(C) [The Trustee shall annually, within 120 days after the close of the Trustee's fiscal year, file with the Commission a copy of the "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" prepared in accordance with the Statement on Auditing Standards No. 70, *Reports on the Processing of Transactions by Service Organizations* promulgated by the American Institute of Certified Public Accountants.]

(D) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default which may have occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this General Indenture, any Supplemental Indenture and any Series Indenture, and no implied covenants or obligations shall be read into this General Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee that conform to the requirements of this General Indenture, any Supplemental Indenture and any Series Indenture.

SECTION 1102. *Paying Agents.* The Commission may appoint one or more Paying Agents for each Series of Bonds by Series Indenture adopted prior to their delivery and may, at any time or from time to time by Supplemental Indenture, appoint one or more other Paying Agents for such Bonds. Each Paying Agent shall be a trust company or bank having the powers of a trust company within or outside the State, having a capital surplus and undivided profits 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 General Indenture. Each

Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this General Indenture by executing and delivering to the Commission and the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Paying Agent.

SECTION 1103. *Responsibilities of Fiduciaries.* The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Commission, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this General Indenture or of any Series Indenture or any Bonds or in respect of the security afforded by this General Indenture, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof, except the Trustee to the extent such proceeds are paid to the Trustee in its capacity as Trustee or the application of any moneys paid to the Commission or others in accordance with this General Indenture. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability, to institute or defend any action or suit in respect of this General Indenture or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder, except for its own gross negligence or default.

SECTION 1104. *Funds Held in Trust.* All money held by any Fiduciary as such, at any time pursuant to the terms of this General Indenture shall be and is hereby assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of this General Indenture.

SECTION 1105. *Investment and Deposit of Funds.*

(A) Each of the Funds and Accounts and any part thereof held by a Fiduciary shall be a trust fund for the purpose for which it is established by or pursuant to this General Indenture, and security for the deposit thereof need not be given except as required in this Section or by laws or governmental regulations applicable to the securing of trust funds.

(B) Pursuant to written instructions by an Authorized Officer, each Fiduciary shall keep all money held by it, as continuously as reasonably possible, invested and reinvested or deposited in interest-bearing time accounts or under certificates of deposit or similar banking arrangements. Absent written investment instructions from an Authorized Officer, each Bond Service Provider shall invest funds into Permitted Investments described under (v) of the definition of Permitted Investments, or to the extent such Permitted Investment is not available, then Permitted Investments described under (i) or (ii) of the definition of Permitted Investments. All Permitted Investments shall mature (or be redeemable at the option of the holder), and all deposits and similar arrangements shall be subject to withdrawal, so as to coincide as nearly as practicable with the times at which moneys in said Accounts will be required for the purposes provided in this General Indenture.

(C) Money in separate Funds and Accounts may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (B) of this Section. If a Permitted Investment is

purchased subject to a repurchase agreement, the agreed repurchase date shall be deemed to be the maturity date for the purpose of paragraph (B). Permitted Investments purchased and deposits made in whole or in part from money received as part of any Fund or Account shall be continuously credited and the interest and profit therefrom shall be credited and any loss upon the sale thereof charged proportionately to that Fund or Account. Permitted Investments shall be sold at the best price obtainable, and time deposits or similar arrangements closed whenever necessary to make any transfer, withdrawal, payment or disbursement, except that a Permitted Investment or deposit or an interest therein equal to the amount required to be transferred from one Fund or Account to another may be transferred in lieu of cash, if the investment or deposit is one permitted for the Fund or Account to which the transfer is made.

(D) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to this General Indenture to the purchase of Permitted Investments owned by it in its individual capacity or Permitted Investments in its proprietary money market funds or deposit products, and may sell to itself Permitted Investments held by it in any such Fund or Account as such Fiduciary.

(E) No Fiduciary shall be liable or responsible for any loss (including depreciation) resulting from an investment made in accordance with this General Indenture. The amount of any deposit or investment, whenever referred to in this Section, is its Value as defined in Section 103.

(F) The Trustee may lend any Permitted Investments as described in subclauses (i), (ii) or (iv) of the definition of “Permitted Investments” in Section 103 hereof from time to time pertaining to any Fund or Account created by or pursuant to this General Indenture in exchange for such consideration and upon such terms and conditions as are specified in a written agreement entered into by and between the Commission and the Trustee. Such written agreement shall require that the Permitted Investments lent be collateralized at the time of the transaction by delivery to the Trustee or its agent of cash or Permitted Investments as described in subclauses (i), (ii) or (iv) of the definition of “Permitted Investments” in Section 103 hereof with a market value not less than one hundred two percent (102%) of the market value of the Permitted Investments lent, that the Permitted Investments lent and such collateral be marked to market on a daily basis and that additional collateral be provided to restore the collateral level to one hundred two percent (102%) at any time the market value of the collateral falls to or below one hundred percent (100%). No securities-lending transaction may have a term in excess of one year. Permitted Investments may be lent only to securities broker-dealers or to commercial or savings banks. Permitted Investments may not be lent to the Trustee or to any of its affiliates.

SECTION 1106. Evidence On Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Commission, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed)

may be deemed to be conclusively proved and established by an Officer's Certificate stating the same, and such Officer's Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this General Indenture upon the faith thereof, but in its discretion the Fiduciary 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 herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Commission to any Fiduciary shall be sufficiently executed if executed by an Authorized Officer.

SECTION 1107. *Preservation and Inspection of Documents.* All reports, certificates, statements and other documents received by any Fiduciary under the provisions of this General Indenture shall be retained in its possession and shall be available at all reasonable times for inspection by the Commission, any other Fiduciary or any Bondholder, and their agents and their representatives, any of whom may make copies thereof, but any such reports, certificates, statements or other documents may, at the election of such Fiduciary, be destroyed or otherwise disposed of at any time six (6) years after such date as the pledge created by this General Indenture shall be discharged as provided in Section 1201.

SECTION 1108. *Compensation and Expenses.* Unless otherwise provided by contract with the Fiduciary, the Commission shall pay to each Fiduciary, from time to time, reasonable compensation for all services rendered by it hereunder and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder, and each Fiduciary shall have a lien therefor on any and all funds at any time held by it hereunder. The Commission shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its gross negligence or default.

SECTION 1109. *Certain Permitted Acts.* Any Fiduciary may become the owner of or may deal in Bonds as fully and with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this General Indenture, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds Outstanding.

SECTION 1110. *Resignation of Fiduciary.* A Fiduciary, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by this General Indenture by giving not less than sixty (60) days' written notice to the Commission and transmitting notice thereof, at the Trustee's expense, to the Holders of all Outstanding Bonds, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the day specified in such notice, unless previously a successor shall have been appointed by the Commission or Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor Trustee has been appointed pursuant to Section 1112.

The Trustee's rights to indemnity and reimbursement of outstanding fees and expenses shall survive the Trustee's resignation.

SECTION 1111. *Removal.* A Fiduciary, or any successor thereof, may be removed at any time by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Commission, or by the Commission so long as there is no "Event of Default" in existence pursuant to Section 1002 hereof, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys duly authorized in writing and delivered to the Commission. Such instrument shall provide for an effective date not less than thirty (30) days after the date of delivery to the Trustee, and shall make such other provisions for transfer of duties to the successor trustee as shall be deemed reasonably necessary in the sole discretion of the Commission. Copies of each such instrument shall be delivered by the Commission to each Fiduciary and any successor thereof. The Trustee's rights to indemnity and amounts then due and payable shall survive any such removal.

SECTION 1112. *Appointment of Successor Fiduciary.*

(A) In case at any time a Fiduciary, or any successor thereof, shall resign or shall be removed by action of the Bondholders, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent or if a receiver, liquidator or conservator of such Fiduciary or of its property shall be appointed or if any public office shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Commission, by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to such successor Fiduciary, notification thereof being given to the Commission, the predecessor Fiduciary and any other Fiduciaries. Pending such appointment, the Commission shall forthwith appoint a Fiduciary to fill such vacancy until a successor Fiduciary shall be appointed by Bondholders as herein authorized.

(B) In case at any time a Fiduciary, or any successor thereof, shall be removed by the Commission, the Commission shall forthwith appoint a Fiduciary to fill such vacancy. Notice of such appointment shall be mailed to each Bondholder. Any successor Fiduciary appointed by the Commission shall, immediately and without further act, be superseded by a Fiduciary appointed by Bondholders.

(C) If in a proper case, no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiduciary shall have given to the Commission notice as provided in Section 1110 or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other Fiduciary or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Fiduciary.

(D) Any Fiduciary appointed under the provisions of this Section 1112 in succession to the Fiduciary shall be a trust company or bank having the powers of a trust company within or

outside the State, having a capital, surplus and undivided profits aggregating at least \$50,000,000 if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all of the duties imposed upon it by this General Indenture.

SECTION 1113. *Transfer of Rights and Property to Successor Fiduciary.* Any successor Fiduciary appointed hereunder shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Commission, an instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with like effect as if named herein as such Fiduciary, but the Fiduciary ceasing to act shall, nevertheless, on the written request of the Commission or of the successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under this General Indenture and shall pay over, assign and deliver to the successor Fiduciary any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Commission be required by such successor Fiduciary for more fully and certainly vesting in and confirming to such successor Fiduciary any such moneys, estates, properties, 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 Commission. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

SECTION 1114. *Merger or Consolidation.* Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which such Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a financial institution which is qualified to be a successor to such Fiduciary under Section 1101 or Section 1102 and shall be authorized by law to perform all the duties imposed upon it by this General Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 1115. *Specific Rights of the Trustee.*

(A) The permissive right of the Trustee to perform its expressed actions in this General Indenture shall not be construed as an obligation or duty to do so.

(B) The Trustee shall not be answerable for other than its gross negligence or willful misconduct. The Trustee shall not be liable for an error of judgment made in good faith. Prior to an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this General Indenture. During an Event of Default, the Trustee shall exercise such rights and powers vested in it by this General Indenture, and to use the same degree of care and skill in their exercise as a prudent man/person would exercise or use under the circumstances in the conduct of his/her own affairs.

(C) Except as expressly set forth herein, the Trustee shall be under no obligation to exercise any of the rights or powers vested it by this General Indenture at the request or direction of any of the Holders pursuant to this General Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities reasonably anticipated to be incurred.

(D) The Trustee shall not be required to make any disbursement of funds until having collected funds.

(E) Before the Trustee acts or refrains from acting it may require an Officer's Certificate or Opinion of Counsel which shall be paid for by the Commission or Bondholders. The Trustee shall not be liable for any action taken or it fails to take in good faith in reliance on such Officer's Certificate or Opinion or any advice received from counsel and in the absence of bad faith or gross negligence on its part, the Trustee may, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein.

(F) The Trustee shall not be liable for any act or omission, in the absence of bad faith or gross negligence when the Trustee reasonably believes the act or failure to act is authorized and within its powers to perform under the General Indenture.

(G) The Trustee is under no duty to perform an independent investigation as to any statement or fact contained in any certificate, opinion or advice it obtains regarding the accuracy or truth of any statement or correctness of any opinion.

(H) The Trustee shall have the right but not the obligation to act as directed by a majority in principal amount of the Bondholders and shall not be liable in taking any action so directed if the Trustee acts in the absence of bad faith or gross negligence.

(I) The Trustee may act through agents and shall not be responsible for misconduct or gross negligence of any agent. Any expenses incurred in hiring an agent shall be reimbursed by the Commission or the Bondholders.

(J) The Trustee and its agents shall have the right, but not the responsibility or duty, to inspect the books and records of the Commission relating to the Bonds.

(K) The Trustee shall be paid reasonable fees and expenses and have the right to increase its fees as the cost of business dictates and as negotiated with the Commission. The obligation to pay such amounts shall survive the payment in full of the principal and interest of the outstanding securities or removal or resignation of the Trustee.

(L) The Trustee may resign upon rendering 60 days' notice to the Commission and other necessary parties. After giving notice of resignation, the Trustee may petition any court of competent jurisdiction for appointment of a temporary Trustee until a successor Trustee is found. The rights of the Trustee to indemnity and reimbursement of fees and expenses shall survive the Trustee's resignation or removal.

(M) The Trustee may be removed at any time by notice in writing from the Commission or direction from the Bondholders of a majority amount of the then outstanding

principal of the Bonds. The Trustee's rights to indemnity and any amounts due and payable shall survive such removal.

(N) The Trustee shall have a priority right and first lien for reimbursement of any and all fees, costs, expenses (including legal fees) from any recovery of funds resulting from a bankruptcy or workout of the Bonds following the declaration of an Event of Default prior to any distribution to the Bondholders or other third parties.

(O) No provision of this General Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(P) The Trustee shall have no duty to analyze or review any financial report received by the Trustee or express any opinion concerning the contents of any financial report or disclosure document and shall have no responsibility for the contents or accuracy of such reports or the disclosure document.

(Q) The Trustee agrees to accept and act upon instructions or directions pursuant to this General Indenture sent in writing or by electronic means as provided in Section 1206, provided, however, that such instructions or directions shall be signed by an Authorized Officer. If the Commission elects to give the instructions by electronic means, the Trustee may deem such instructions 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 Commission agrees to assume all risks arising out of the use of such electronic means to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk or interception and misuse by third parties.

(R) The recitals contained in this General Indenture and in the Bonds (other than the certificate of authentication on the Bonds) are statements of the Commission and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of the Commission therein, the security provided thereby or by this General Indenture, the technical or financial feasibility of the Program, the compliance of the Program with the Act, or the tax status of any Bonds. The Trustee is not accountable for the use or application by the Commission of any of the Bonds or the proceeds of the Bonds, or for the use or application of any moneys paid over by the Trustee in accordance with any provision of this General Indenture or the Agreement.

(S) The Trustee is not responsible for the use of Bond proceeds or sufficiency of said proceeds or cash flow to accomplish the intended objective of the financing.

(T) The Trustee is not responsible for any of the contents or representations contained in any official statement or other disclosure document and makes no representation as to the accuracy or completeness of any information contained therein.

(U) The Trustee shall not be liable for any consequential damages.

ARTICLE XII

MISCELLANEOUS

SECTION 1201. *Discharge, Satisfaction and Defeasance.*

(A) If the Commission shall pay or cause to be paid to the Holders of the Bonds the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this General Indenture, then, unless there shall be an Officer's Certificate delivered to the Trustee to the contrary, the pledge of the Revenues and other moneys, securities and funds hereby pledged and the covenants, agreements and other obligations of the Commission to the Bondholders hereunder shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Commission expressed in an Officer's Certificate delivered to the Trustee, execute and deliver to the Commission all such instruments, provided by the Commission, as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over and deliver to the Commission all money or securities held by them pursuant to this General Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, subject to the provisions of Section 612.

(B) Any Bonds for the payment or redemption of which moneys shall have been deposited with the Trustee by or on behalf of the Commission, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section; provided, however, that if any such Bonds are to be redeemed prior to maturity, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given, or provision satisfactory to the Trustee shall have been made for the giving of such notice.

(C) No money so deposited with the Trustee shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal or Redemption Price of the Bonds, for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption, except that:

(1) any money so held by the Trustee for the payment to the Holders of any particular Bonds of principal or Redemption Price of, or interest on, such Bonds shall be invested by the Trustee, on instructions confirmed in writing by an Authorized Officer, in Permitted Investments maturing on or before the date when such payment is due; and

(2) all interest and earnings on all such Permitted Investments shall be deposited in the Revenue Fund.

(D) As an alternative cumulative to and not excluding the provisions of paragraphs (B) and (C) of this Section, any Bonds, whether at or prior to the maturity or the redemption date or Interest Payment Date, shall be deemed to have been paid within the meaning of this Section if:

(1) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption, and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(2) there shall have been deposited with the Trustee, pursuant to an escrow agreement, by or on behalf of the Commission, either (i) moneys in an amount which shall be sufficient to pay when due the principal, or the Redemption Price to become due on said Bonds, on the redemption date or maturity date thereof, as the case may be, or (ii) Government Obligations (not redeemable at the option of the issuer thereof), the principal of and the interest on which when due (or redeemable at the option of the holder) will provide money which, together with the money, if any, deposited with the Trustee as the same time, shall be sufficient to pay when due the principal, or the Redemption Price to become due on said Bonds, on the redemption date or maturity date thereof, as the case may be, as confirmed by a verification report prepared by an independent certified accounting firm; and

(3) neither such Permitted Investments nor any money so deposited with the Trustee, nor any money received by the Trustee on account of principal or interest on said Permitted Investments may be withdrawn or used for any purpose other than, and all such money shall be held in trust for and be applied to the payment, when due, of the principal, redemption premiums or interest for the payment or redemption of which they were deposited.

(E) Anything in this Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the Commission, be repaid by the Fiduciary to the Commission, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged; except that before being required to make any such payment to the Commission, the Fiduciary shall, at the expense of the Commission, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in Authorized Newspapers notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Commission.

SECTION 1202. *Evidence of Signatures of Bondholders and Ownership of Bonds.*

(A) Any request, consent, revocation of consent or other instrument which this General Indenture may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the authorized execution of any such instrument shall be sufficient for any purpose of this General Indenture, if made in the

following manner, or in any other manner satisfactory to the Trustee which may, nevertheless in its discretion, require further or other proof in cases where it deems the same desirable:

(1) the fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, trust company or financial firm or corporation (including members of the Financial Industry Regulatory Authority) satisfactory to the Trustee that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof;

(2) the authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof, if such instrument is signed by a person purporting to be the president or vice president of such corporation, with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary;

(3) the amount of Bonds transferable by delivery held by any person executing any such instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, of an officer of a bank, trust company, financial firm or corporation (including members of the Financial Industry Regulatory Authority) or other depository satisfactory to the Trustee, showing that at a date therein mentioned such person exhibited to or had on deposit with such bank, trust company, insurance company or financial firm or corporation Bonds described or referred to in such certificate; and such a certificate may be made and given by an officer or member of any bank, trust company, insurance company or financial firm or corporation with respect to Bonds held by it, if acceptable to the Trustee; and

(4) the holding of Bonds registered otherwise than to bearer, the amount, numbers and other identification thereof, and the date of holding the same, shall be proved by the registry books.

(B) Any request, consent or other instrument executed by the Holder or owner of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Commission or any Fiduciary in accordance therewith.

SECTION 1203. *Date and Other Details of Documents Delivered to Fiduciaries.* All documents delivered to the Trustee with respect to the delivery of the Bonds of a Series shall be dated as of the date of the delivery of such Bonds by the Commission. All other documents delivered to any Fiduciary pursuant hereto, including documents signed by any Authorized Officer and Auditor's Opinions, Counsel's Opinions and Officer's Certificates but not including Bonds or any documents signed by any Bondholder or Fiduciary, shall be dated as of the date of delivery thereof and in the case of documents delivered to the Trustee pursuant to Article VIII

with respect to a Supplemental Indenture, as of a date subsequent to the date of adoption by the Commission of such Supplemental Indenture. Matters required to be stated in any document signed by any Authorized Officer or in any Auditor's Opinion, Counsel's Opinion or Officer's Certificate may be stated in separate documents of the required description or may be included in one or more thereof.

SECTION 1204. *No Recourse on Bonds.* No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or on this General Indenture against any member or officer of the Commission or any person executing the Bonds.

SECTION 1205. *Successorship of Commission; Effect of Covenants.* All covenants, stipulations, obligations and agreements of the Commission contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the Commission to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time, and upon any officer, board, body, commission, authority, Commission or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

No covenant, stipulation, obligation or agreement herein contained shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future trustee, officer, agent or employee of the Commission in his or her individual capacity, and neither the Commission nor any trustee or officer thereof, present or future, executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or responsibility by reason of the issuance thereof.

SECTION 1206. *Manner of Giving Notice.* All notices, demands, directions, requests, instructions, certificates or other communications hereunder (except as to Bondholders) shall be in writing and shall be sufficiently given and shall be deemed given when electronically transmitted or mailed by certified or registered mail, postage prepaid, with proper address as indicated below. The Commission and the Trustee may, by written notice given by each to the other, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Indenture. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Commission: Housing Opportunities Commission of Montgomery County
10400 Detrick Avenue
Kensington, MD 20895

To the Trustee: [TRUSTEE]
[TRUSTEE'S ADDRESS]

Notwithstanding the foregoing, any notice, direction or other communication given hereunder from the Commission to any Fiduciary, or from any Fiduciary to the Commission, may be given by sending it via e-mail or other electronic means in lieu of regular mail. In the case of e-mail or other electronic means, valid notice shall only have been deemed to have been

given when an electronic confirmation of delivery has been obtained by the sender at the e-mail or other electronic address provided by each party, as updated from time to time. Any e-mail communication shall be deemed to have been validly and effectively given on the date of such communication, if such date is a business day and such delivery was made prior to 4:00 p.m., Central Standard Time, and otherwise on the next business day.

All documents received by the Trustee under the provisions of this General Indenture, or photographic copies thereof, shall be retained in its possession until this Indenture shall be released as provided herein, subject at all reasonable times to the inspection of the Commission, any Bondowner, and the agents and representatives thereof.

SECTION 1207. *Notices to Rating Agencies.* The Trustee shall cause a copy of each amendment, change or modification to this General Indenture or any Supplemental Indenture hereto to be transmitted to each Rating Agency then maintaining a rating on the Bonds at the request of the Commission at least 15 days in advance of the execution and delivery of such amendment, change or modification. In addition, the Trustee shall cause a notice of the following to be mailed to each Rating Agency then maintaining a rating on the Bonds at the request of the Commission: the redemption or defeasance of any Series of Bonds; the occurrence of any Event of Default under this Indenture and the acceleration of any Series of Bonds.

SECTION 1208. *Effect of Partial Invalidity.* In case any one or more of the provisions of this General Indenture or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this General Indenture or of the Bonds, but this General Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in this General Indenture shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Commission to the full extent permitted by law.

SECTION 1209. *Substitute Publication or Mailing.* If, because of the temporary or permanent suspension of publication of any newspaper or financial journal or for any other reason, the Trustee or the Commission shall be unable to publish in a newspaper or financial journal any notice required to be published by the provisions of this General Indenture, the Trustee or the Commission, as the case may be, shall give such notice in such other manner as in its judgment shall most effectively approximate such publication thereof, and the giving of such notice in such manner shall for all purposes of this General Indenture be deemed to be compliance with the requirement for the publication thereof.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Bondowners when such notice is required to be given pursuant to any provision of this Indenture, any manner of giving notice as shall be satisfactory to the Trustee and the Commission shall be deemed to be a sufficient giving of such notice.

SECTION 1210. *Headings, Table of Contents and Notes for Convenience Only.* Any heading preceding the text of the several articles hereof and any table of contents or marginal

notes appended to copies hereof shall be solely for convenience of reference and shall not constitute a part of this General Indenture, nor shall they affect its meaning, construction or effect.

SECTION 1211. *Payment Due on Weekends and Holidays.* If the date for making any payment of principal or premium, if any, or interest or the last date for performance of any act or the exercising of any right, as provided in this General Indenture, shall be a legal holiday or a day on which banking institutions in the city where the applicable Fiduciary is located, are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or not a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this General Indenture.

SECTION 1212. *Security Instrument.* A certified copy of this General Indenture, delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Maryland Uniform Commercial Code.

SECTION 1213. *Counterparts.* This General 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.

[Signatures on next page]

IN WITNESS WHEREOF, the Housing Opportunities Commission of Montgomery County has caused these presents to be signed in its name and behalf and to evidence its acceptance of the trusts hereby created the Trustee has caused these presents to be signed in its name and behalf by its duly authorized officers, all as of the date first above written.

**HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY**

By _____
Its _____

ATTEST:

Assistant Secretary

[TRUSTEE], as Trustee

By _____
Its Authorized Officer

\$44,765,000

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
PROGRAM REVENUE BONDS
2019 Series A , 2019 Series B, 2019 Series C**

Estimated Expenses

| | Total 44,765,000 | | Series A 28,555,000 | | Series B 4,610,000 | | Series C 11,600,000 | |
|-------------------------------------|---------------------|--------------|------------------------|--------------|-----------------------|--------------|------------------------|--------------|
| | Amount | \$/1000 | Amount | \$/1000 | Amount | \$/1000 | Amount | \$/1000 |
| Underwriters Spread | | | | | | | | |
| Expenses | | | | | | | | |
| Underwriters Counsel | 50,000.00 | | 31,894.34 | | 5,149.11 | | 12,956.55 | |
| Travel and Miscellaneous | 4,000.00 | | 2,551.55 | | 411.93 | | 1,036.52 | |
| CUSIP | 1,280.00 | | 816.50 | | 131.82 | | 331.69 | |
| DTC | 800.00 | | 510.31 | | 82.39 | | 207.30 | |
| IPREO | 3,289.63 | | 2,098.41 | | 338.77 | | 852.45 | |
| IPREO GameDay | 1,462.14 | | 932.68 | | 150.57 | | 378.89 | |
| Miscellaneous | 13.23 | | 8.44 | | 1.36 | | 3.43 | |
| Total Expenses | 60,845.00 | 1.36 | 38,812.22 | 1.36 | 6,265.95 | 1.36 | 15,766.83 | 1.36 |
| Takedown | 279,781.25 | 6.25 | 178,468.75 | 6.25 | 28,812.50 | 6.25 | 72,500.00 | 6.25 |
| Management | 33,573.75 | 0.75 | 21,416.25 | 0.75 | 3,457.50 | 0.75 | 8,700.00 | 0.75 |
| Net Underwriting | 313,355.00 | | 199,885.00 | | 32,270.00 | | 81,200.00 | |
| Total Spread | 374,200.00 | 8.36 | 238,697.22 | 8.36 | 38,535.95 | 8.36 | 96,966.83 | 8.36 |
| Cost of Issuance | | | | | | | | |
| Bond Counsel | 52,000.00 | | 33,170.11 | | 5,355.08 | | 13,474.81 | |
| Bond Counsel - New Indenture | 25,000.00 | | 15,947.17 | | 2,574.56 | | 6,478.28 | |
| Financial Advisor | 49,169.38 | | 31,364.49 | | 5,063.57 | | 12,741.31 | |
| Financial Advisor - Computer | 29,000.00 | | 18,498.72 | | 2,986.48 | | 7,514.80 | |
| Universal cap | 19,250.00 | | 12,279.32 | | 1,982.41 | | 4,988.27 | |
| OS printing | 2,241.56 | | 1,429.86 | | 230.84 | | 580.86 | |
| Rating | 39,000.00 | | 24,877.58 | | 4,016.31 | | 10,106.11 | |
| Auditor | 6,920.00 | | 4,414.18 | | 712.64 | | 1,793.19 | |
| Trustee | 4,500.00 | | 2,870.49 | | 463.42 | | 1,166.09 | |
| Trustee Counsel | 8,000.00 | | 5,103.09 | | 823.86 | | 2,073.05 | |
| Program marketing | 30,000.00 | | 19,136.60 | | 3,089.47 | | 7,773.93 | |
| Miscellaneous / Disbursements | 10,719.06 | | 6,837.55 | | 1,103.87 | | 2,777.64 | |
| Total Expenses | 275,800.00 | 6.16 | 175,929.16 | 6.16 | 28,402.50 | 6.16 | 71,468.33 | 6.16 |
| Total Costs | 650,000.00 | 14.52 | 414,626.38 | 14.52 | 66,938.46 | 14.52 | 168,435.16 | 14.52 |

2019 SERIES A INDENTURE

by and between

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

and

[TRUSTEE]

Housing Opportunities Commission of Montgomery County
Program Revenue Bonds
\$30,000,000 2019 Series A (Non-AMT)

Dated as of August 1, 2019

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2019 SERIES A INDENTURE

THIS 2019 SERIES A INDENTURE, dated as of August 1, 2019 (this “2019 Series A Indenture”), entered into pursuant to that certain General Indenture of Trust (as more fully defined herein, the “General Indenture,” and together with the 2019 Series A Indenture, the “Indenture”), is made by and between the HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, a public body corporate and politic organized and existing under the laws of the State of Maryland (the “Commission”), and _____, a _____, duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of _____, with a trust office located in _____, as trustee (the “Trustee”).

WHEREAS, the Commission is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the “Housing Authorities Law”) and the Memorandum of Understanding between the Commission and Montgomery County, Maryland, effective as of June 29, 2018 (the “MOU,” and together with the Housing Authorities Law, the “Act”); and

WHEREAS, pursuant to Act and the General Indenture of Trust, dated as of August 1, 2019 (the “General Indenture”), by and between the Commission and the Trustee, the Commission is authorized to issue Bonds (as defined in the General Indenture) to finance, among other things, Loans (as defined in the General Indenture), and finance or reimburse capital expenditures incurred by the Commission in furtherance of the Program (as defined in the General Indenture); and

WHEREAS, in order to obtain funds with which to reimburse capital expenditures incurred by the Commission in furtherance of the Program, it is deemed necessary and advisable to issue a series of Program Revenue Bonds of the Commission as hereinafter provided;

NOW, THEREFORE, THIS SERIES 2019 A INDENTURE WITNESSETH that the Commission hereby agrees and covenants with the Trustee, except as otherwise provided herein for all equal and proportional benefit of the respective Holders, from time to time, of the Series 2019 A Bonds (as defined herein), or any part thereof, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as provided in subsection (b) hereof, all defined terms contained in the General Indenture when used in this 2019 Series A Indenture shall have the same meanings as set forth in the General Indenture.

(b) As used in this 2019 Series A Indenture, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“*Bond Counsel*” means one or more attorneys or firms of attorneys with a nationally recognized standing in the field of municipal bond financings selected by the Commission.

“*Business Day*” means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York or in which the designated corporate trust office of the Trustee is located, are authorized by law to close, or a day on which the New York Stock Exchange is closed.

“*Closing Date*” means August _____, 2019.

“*Electronic Means*” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“*Interest Payment Date*” means each January 1 and July 1, commencing January 1, 2020.

“*1986 Code*” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of Treasury thereunder.

“*No Arbitrage Certificate*” means the No Arbitrage Certificate, dated August _____, 2019 relating to the 2019 Series Bonds.

“*Record Date*” means the 15th day of the calendar month next preceding each Interest Payment Date.

“*2019 A Officer’s Certificate*” means the Officer’s Certificate attached hereto as Exhibit B required under Section 204 of the General Indenture.

“*2019 Series A Bonds*” means the Commission’s Program Revenue Bonds, 2019 Series A, in the aggregate principal amount of \$30,000,000, authorized under the 2019 Series A Indenture.

“*2019 Series A Indenture*” means the 2019 Series A Indenture of the Commission authorizing the issuance of the 2019 Series A Bonds.

“*2019 Series BC Bonds*” means, collectively, the Commission’s Program Revenue Bonds, 2019 Series B (Non-AMT), in the aggregate principal amount of \$4,610,000 and Program Revenue Bonds, 2019 Series C (AMT), in the aggregate principal amount of \$11,610,000, authorized under the 2019 Series A Indenture.

“*2019 Series BC Indenture*” means this Series Indenture of the Commission authorizing the issuance of the 2019 Series A Bonds.

“*2019 Series Bonds*” means, collectively, the 2019 Series A Bonds and the 2019 Series BC Bonds.

The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this 2019 Series A Indenture, refer to this 2019 Series A Indenture.

Section 1.02. Authority for This 2019 Series A Indenture. This 2019 Series A Indenture is adopted pursuant to the provisions of the Act and the General Indenture.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF 2019 SERIES A BONDS

Section 2.01. *Authorization of Bonds, Principal Amount, Designation and Series.* In order to provide sufficient funds necessary for the reimbursement of capital expenditures incurred by the Commission, subject to the terms, conditions and limitations established in the General Indenture and this 2019 Series A Indenture, the 2019 Series A Bonds are hereby authorized to be issued.

The 2019 Series A Bonds in the aggregate principal amount of \$[30,000,000] will be entitled “Program Revenue Bonds,” and such Series of Bonds shall bear the additional designation “2019 Series A ” and each Bond as so designated shall be entitled “Program Revenue Bond, 2019 Series A (Non-AMT).” The 2019 Series A Bonds are to be substantially in the form attached to this 2019 Series A Indenture as Exhibit A, with appropriate variations, omissions and insertions as permitted or required by the General Indenture.

Section 2.02. *Purposes.* The purposes for which the 2019 Series A Bonds are being issued are to reimburse the Commission for capital expenditures previously incurred in connection with a Multifamily Development. A more detailed description of such capital expenditures is provided in the Commission’s No Arbitrage Certificate.

Section 2.03. *Issue Date and Payment.* The 2019 Series A Bonds shall be dated the date of delivery and authentication thereof. The 2019 Series A Bonds will bear interest from the date of delivery thereof, payable semiannually on each Interest Payment Date. Interest on the 2019 Series A Bonds shall be paid by check to the registered owners at their addresses as they appear as of the close of business on the Record Date on the registration books of the Commission maintained by _____, as trustee and registrar (the “Trustee”) or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such registered owners on or prior to the Record Date or, upon timely written request of a registered owner of 2019 Series A Bonds and payment of any applicable transfer fee, by wire transfer from the Trustee to the registered owner thereof. Principal of, redemption premium, if any, and interest due at maturity or upon redemption or purchase of the 2019 Series A Bonds will be payable at the designated corporate trust office of the Trustee at maturity or earlier redemption or purchase.

Section 2.04. *The 2019 Series A Bonds.*

(a) The 2019 Series A Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as follows:

2019 Series A Bonds

\$_____ Serial Bonds

| <u>Year</u> | <u>Amount</u> \$ | <u>Interest Rate</u> % |
|-------------|---------------------|---------------------------|
|-------------|---------------------|---------------------------|

\$_____ Term Bonds

| <u>Year</u> | <u>Amount</u> \$ | <u>Interest Rate</u> % |
|-------------|---------------------|---------------------------|
|-------------|---------------------|---------------------------|

Section 2.05. Issue Date. The Issue Date of the 2019 Series A Bonds shall be \$_____.

Section 2.06. Denominations, Numbers and Letters. The 2019 Series A Bonds shall be issued as fully registered Bonds without coupons. The 2019 Series A Bonds shall be issued in the denominations of \$5,000 each or any integral multiple thereof. The 2019 Series A Bonds shall be numbered consecutively from one upwards with the prefix RA preceding each number.

Section 2.07. Exchange of 2019 Series A Bonds. Subject to the limitations and upon payment of the charges provided in the General Indenture, the 2019 Series A Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the registered owner thereof, for a like aggregate principal amount of registered 2019 Series A Bonds without coupons of other authorized denominations of the same series and the same maturity. None of the 2019 Series A Bonds may be exchanged for coupon Bonds.

Section 2.08. Trustee, Registrar and Paying Agent. _____, is hereby appointed the Trustee, Registrar and Paying Agent of the 2019 Series A Bonds.

Section 2.09. Special Redemption from the Series 2019 A Loan Account and Revenue Fund.

(a) **Loan Account.** The 2019 Series A Bonds are subject to redemption at the option of the Commission, in whole or in part, at any time, from moneys deposited in the 2019 Series A Loan Account and not used to make or purchase Loans or purchase Guaranteed Mortgage Securities, at a price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, calculated as of the redemption date.

(b) Revenue Fund. The 2019 Series A Bonds are subject to redemption at the option of the Commission, in whole or in part, at any time, at a price equal to the principal amount thereof plus accrued interest thereon, if any, to the date fixed for redemption, from Revenues relating to any Series of Bonds (primarily payments of principal and interest and Prepayments of principal on Loans and Guaranteed Mortgage Securities and earnings on Permitted Investments) and any amounts available as a result of a reduction in the reserve requirements established pursuant to the Indenture, which are in excess of the amount required to pay principal of and interest on the Bonds in the then current year.

Section 2.10. *Optional Redemption from Revenue Fund.* (a) The 2019 Series A Bonds maturing on or after _____ are subject to redemption or purchase in lieu of redemption, at the option of the Commission, from moneys in the Revenue Fund, in whole or in part, at any time on or after _____, at one hundred percent (100%) of the principal amount thereof, plus accrued interest thereon, if any, to the redemption or purchase date, plus accrued interest, if any to the redemption date.

To exercise the option to purchase the 2019 Series A Bonds in lieu of redemption pursuant to this section, the Commission shall deliver written notice thereof to the Trustee no later than 12:00 Noon, New York City Time, on the date the 2019 Series A Bonds would otherwise have been redeemed (the "Purchase-in-Lieu Date"), and the Commission shall transfer or cause to be transferred to the Trustee the moneys required to purchase the 2019 Series A Bonds no later than 12:00 Noon, New York City Time, on such Purchase-in-Lieu Date. If notice of redemption has been given as required under the General Indenture, no additional notice to the Bondholders shall be required to be given of the exercise by the Commission of the option to purchase 2019 Series A Bonds pursuant to this Section. All 2019 Series A Bonds shall be deemed to have been purchased on the Purchase-in-Lieu Date provided funds sufficient to purchase the 2019 Series A Bonds on the Purchase-in-Lieu Date have been deposited with the Trustee, and from and after such Purchase-in-Lieu Date, interest shall cease to accrue on the 2019 Series A Bonds to the prior Bondholders, and the prior owners thereof shall have no rights with respect to such 2019 Series A Bonds except to receive payment of the purchase price thereof and accrued interest to the Purchase-in-Lieu Date. Notwithstanding such purchase, the 2019 Series A Bonds shall remain Outstanding for all purposes under this 2019 Series A Indenture and the General Indenture. Failure to mail the related notice of redemption or any defect therein shall not affect the validity of the purchase of the 2019 Series A Bonds. The Commission's notice of purchase in lieu of redemption may be conditioned upon receipt of funds by the Trustee or may be withdrawn at any time as specified therein. The Commission's notice of purchase in lieu of redemption may be given in conjunction with a notice of redemption given pursuant to the General Indenture, in which case it shall so state and shall provide that a withdrawal of the purchase notice will not constitute a withdrawal of the redemption notice unless otherwise specified therein.

Section 2.11. *Sinking Fund Redemption.*

[The 2019 Series A Bonds maturing on _____ are subject to mandatory redemption in part by lot on _____ and on each July 1 and January 1 thereafter, to and including _____, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

| <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> | <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> |
|-------------|---|--------------------------------|-------------|---|--------------------------------|
|-------------|---|--------------------------------|-------------|---|--------------------------------|

The 2019 Series C Bonds maturing on _____ are subject to mandatory redemption in part by lot on _____ and on each July 1 and January 1 thereafter, to and including _____, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

| <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> | <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> |
|-------------|---|--------------------------------|-------------|---|--------------------------------|
|-------------|---|--------------------------------|-------------|---|--------------------------------|

]

Section 2.12. Issue and Sale of 2019 Series A Bonds. The 2019 Series A Bonds authorized to be issued herein shall be sold to BofA Securities, Inc. and Jefferies LLC (together, the “Underwriters”) at the aggregate price of \$_____ on the terms and conditions set forth in the Contract of Purchase dated _____, 2019, by and between the Underwriters and the Commission (the “Contract of Purchase”). The Underwriters will receive an underwriting fee of \$_____ relating to the sale of the 2019 Series A Bonds.

Section 2.13. Delivery of 2019 Series A Bonds. (a) The 2019 Series A Bonds shall be delivered, upon compliance with the provisions of the General Indenture to the order of the Underwriters named in Section 2.12 hereof, at such time and place as provided in, and subject to, the provisions of the Contract of Purchase.

(b) The execution and distribution of the Official Statement and the execution of the Contract of Purchase are hereby approved and ratified.

(d) The Executive Director, Chair, Vice-Chair or Chair pro tem are authorized to make such changes, deletions and additions to the provisions of this 2019 Series A Indenture, consistent with the purposes of this 2019 Series A Indenture, as they deem necessary or advisable to issue the 2019 Series A Bonds.

Section 2.14. Further Authority. The Commission authorizes the Chair, Vice-Chair, Chair pro tem and Executive Director of the Commission to do or perform all such acts and to

execute all such certificates, documents and other instruments as they or either of them deem necessary or advisable to provide for the issuance, sale and delivery of the 2019 Series A Bonds.

Section 2.15. *Trustee Authority to Facilitate Use of Securities Depository.* The Commission and the Trustee agree that authorized officers of the Trustee are, and each of them is, hereby authorized to do or perform such acts and to execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the 2019 Series A Bonds; provided that neither the Trustee nor the Commission may assume: (i) any obligations to such securities depository or beneficial owners of Bonds that are inconsistent with their obligations to any registered bondholder under this 2019 Series A Indenture or the General Indenture or (ii) any obligation which would directly or indirectly create obligations on the part of the Trustee or the Commission to persons who own 2019 Series A Bonds or interests therein but who are not registered owners of 2019 Series A Bonds, unless the Commission shall have consented in writing to such obligations.

Section 2.16. *Special Procedures Relating to Partial Redemptions.* The Commission, with the prior written consent of the Trustee, may enter into an agreement with an owner of any 2019 Series A Bond having a denomination greater than \$5,000 providing that such registered owner is authorized to effect a reduction in the face amount of such 2019 Series A Bond by making a notation indicating the principal amount of such redemption and the date thereof on the payment grid attached to such 2019 Series A Bond in lieu of surrendering such 2019 Series A Bond to the Trustee for cancellation and the issuance of a new bond or bonds in the amount of the unredeemed portion thereof in accordance with Section 2.15 of the General Indenture. If the Commission and an owner enter into such an agreement, the records of the Trustee shall be conclusive in determining the outstanding principal amount of any 2019 Series A Bond affected by the agreement, notwithstanding the failure of the owner to make any notation on the payment grid attached to such 2019 Series A Bond of the redemption of a portion thereof, and shall be binding upon the owner, any heirs, personal representatives, successors or assigns, or any transferee or purchaser of such 2019 Series A Bond. If the Commission enters into such an agreement with such an owner of any 2019 Series A Bond, a notation of the effect of such agreement may be inserted in the form of any 2019 Series A Bond to be delivered to such owner.

ARTICLE III

2019 SERIES A BONDS

Section 3.01. *Establishment of 2019 Series A Loan Account.* There is hereby established an account designated as the 2019 Series A Loan Account, moneys in which shall be used for the purposes and as authorized by Section 3.03 of the General Indenture and this 2019 Series A Indenture. The Commission acknowledges that the 2019 Series A Bonds have been structured to have certain redemption priorities and protections, and the Commission covenants to apply moneys in the 2019 Series A Loan Account to effect such priorities and protections.

Section 3.02. *Establishment of 2019 Series A Rebate Account.* There is hereby established a special account separate from all other funds and accounts, designated as the 2019 Series A Rebate Account, as authorized by Section 4.01 of the General Indenture, moneys in which shall be used to pay rebate to the United States as provided in Section 3.05 hereof.

Section 3.03. *Application of Proceeds of the 2019 Series A Bonds.* The Trustee shall apply the proceeds of the 2019 Series A Bonds as follows:

(a) \$_____, representing the proceeds of the 2019 Series A Bonds, shall be deposited into the [2019 Series A Loan Account][account as shall be directed by the Commission in accordance with the 2019 A Officer’s Certificate].

(b) Reserved.

(c) No amount of the proceeds of the 2019 Series A Bonds shall be deposited in the Reserve Fund.

(d) The Commission covenants to use its best efforts to apply the proceeds of the 2019 Series A Bonds in the 2019 Series A Loan Account to reimburse the Commission for capital expenditures previously incurred in connection with a Multifamily Development, provided, however, that nothing herein shall prohibit the Commission’s use of moneys in any Loan Account if necessary to maintain the tax-exempt status of the 2019 Series A Bonds or to best achieve the objectives of the Program.

(e) No amount of the proceeds of the 2019 Series A Bonds shall be used to pay the costs of issuing the 2019 Series A Bonds.

Section 3.04. *Certification Required under Section 204 of the General Indenture.* (a) In accordance with Section 204 of the General Indenture, the Commission hereby agrees to deliver, on the date of issuance of the 2019 Series A Bonds, the 2019 A Officer’s Certificate.

Section 3.05. *Restriction as to “Arbitrage Bonds.”* The Commission shall not use or direct or permit the use of the proceeds of the 2019 Series A Bonds or any other moneys held under the General Indenture or this 2019 Series A Indenture in any manner that would cause the 2019 Series A Bonds to be “arbitrage bonds” within the meaning ascribed to such quoted term in the 1986 Code. The Commission covenants that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the 1986 Code. This covenant shall survive payment in full or defeasance of the 2019 Series A Bonds. Money shall be deposited to the 2019 Series A Rebate Account by the Commission or by the Trustee at the written direction of the Commission and shall be held by the Trustee to the extent required to make the necessary payments to the United States pursuant to Section 148(f) of the 1986 Code. Upon receipt of the Commission’s written directions, the Trustee shall remit part or all of the balances in the 2019 Series A Rebate Account to the United States as so directed. Any funds remaining in the 2019 Series A Rebate Account after redemption and payment of all of the 2019 Series A Bonds and payment and satisfaction of any requirement to make payment to the United States pursuant to Section 148(f) of the 1986 Code, or provision for payment made satisfactory to the Trustee, shall be withdrawn and remitted to the Commission.

Section 3.06. *Special Tax Covenants.* The Commission hereby covenants: (i) to take all steps and actions necessary to assure the successful operation of the Program in a manner consistent with the preservation of the exclusion of the interest payable on the 2019 Series A Bonds from gross income under Section 103 of the 1986 Code, (ii) to take all steps and actions necessary to preserve the exclusion of the interest payable on the 2019 Series A Bonds from gross income under Section

103 of the 1986 Code and (iii) to refrain from taking any steps or actions that would impair or call into question the exclusion of the interest payable on the 2019 Series A Bonds from gross income under Section 103 of the 1986 Code.

These covenants may be modified from time to time pursuant to written instructions as delivered to the Trustee by the Commission, accompanied by an opinion of Bond Counsel permitting such modifications.

Section 3.07. *Covenant for Use of Prepayments.* Subject to the provisions of Section 2.09 hereof, the Commission will apply repayments and prepayments of principal of Loans or Guaranteed Mortgage Securities financed from the issuance of the 2019 Series A Bonds that, under the Code, are not permitted to be used to finance additional Loans or Guaranteed Mortgage Securities, to the redemption of the 2019 Series A Bonds.

ARTICLE IV

MISCELLANEOUS

Section 4.01. *Continuing Disclosure.* The Commission agrees to comply with and carry out the provisions of the Continuing Disclosure Agreement dated as of August _____, 2019 by and between the Commission and _____, as dissemination agent, and any other information filings required by federal securities laws.

Section 4.02. *Unclaimed Moneys.* In the event any 2019 Series A Bond is not presented for payment when the principal of any such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such 2019 Series A Bond have been deposited with the Trustee for the benefit of the owners of such Bond and have remained unclaimed for 5 years after such principal has become due and payable, either at the stated maturity date thereof or by call for earlier redemption, then such amounts shall, at the request of the Commission, be repaid by the Trustee to the Commission, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Commission for the payment of such 2019 Series A Bonds, as the case may be; provided, however, that the Trustee, before being required to make any such payment to the Commission shall, at the expense of the Commission, cause to be published, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers, notice that such moneys remain unclaimed and that, after a date specified in such notice, which will not be less than 30 days from the date of such publication, any unclaimed balance of such moneys then remaining will be paid to the Commission. The obligation of the Trustee under this Section to pay any such amounts to the Commission will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

Section 4.03. *Electronic Means.* The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the General Indenture and this 2019 Series A Indenture and delivered using Electronic Means; provided, however, that the Commission shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the

Commission whenever a person is to be added or deleted from the listing. If the Commission elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Commission understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Commission shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Commission and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Commission. 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 directions conflict or are inconsistent with a subsequent written instruction. The Commission agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions 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 Commission; (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; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 4.04. Severability. If any provision of this 2019 Series A Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.05. Applicable Provisions of Law. This 2019 Series A Indenture shall be governed by and construed in accordance with the laws of the State of Maryland.

Section 4.06. Effective Date. This 2019 Series A Indenture shall be effective on the Closing Date.

IN WITNESS WHEREOF, the undersigned Authorized Officer of the Commission has executed this General Indenture as of the date first written above and has caused the Commission's corporate seal to be hereunto impressed or imprinted hereon, and a duly authorized officer of the Trustee has caused this General Indenture to be executed as of the effective date hereof.

HOUSING OPPORTUNITIES COMMISSION
MONTGOMERY COUNTY

[SEAL]

By: _____
Jackie D. Simon
Chair

ATTEST:

By: _____
Stacy L. Spann
Secretary-Treasurer

[TRUSTEE'S SIGNATURE BLOCK]

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO 2019 SERIES A INDENTURE]

EXHIBIT A

FORMS OF 2019 SERIES A BONDS

UNITED STATES OF AMERICA
STATE OF MARYLAND
HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Program Revenue Bonds
2019 Series A

NO. RA- _____ \$ _____

INTEREST RATE: _____%
MATURITY DATE: _____
DATED DATE: June _____, 2019
CUSIP: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Housing Opportunities Commission of Montgomery County, a public body corporate and politic of the State of Maryland (the "Commission"), for value received, promises to pay from the sources and as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, and in like manner to pay interest on said sum from the Dated Date identified above, at the Interest Rate per annum identified above, semiannually on January 1 and July 1 of each year, commencing January 1, 2020 (the "Interest Payment Date"), until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption of this Bond before maturity may become applicable hereto. Interest on this Bond is payable by check mailed to the Registered Owner hereof as his or her name and address appear, as of the close of business on the 15th day of the month next preceding each Interest Payment Date (the "Record Date"), on the registration books of the Commission maintained by _____, as trustee and registrar (the "Trustee"), or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such Registered Owner on or prior to the Record Date or, upon timely written request of a Registered Owner and payment of wire transfer fee, by wire transfer from the Trustee to the Registered Owner. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal and redemption premium, if any, and interest due at maturity or upon redemption or purchase of this Bond will be payable at the designated corporate trust office of the Trustee in any 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.

In the event of a partial redemption of this Bond, the Registered Owner hereof is authorized to effect a reduction in the face amount of this Bond by making a notation indicating the principal amount of such redemption and the date thereon on the Payment Grid attached hereto, in lieu of surrendering this Bond to the Trustee for cancellation and the issuance of a new Bond or Bonds in the amount of the unredeemed portion hereof. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND MAY BE LESS THAN THE STATED FACE AMOUNT HEREOF AND THE RECORDS OF THE TRUSTEE SHALL BE CONCLUSIVE AS TO THE OUTSTANDING PRINCIPAL AMOUNT HEREOF, NOTWITHSTANDING THE FAILURE OF THE REGISTERED OWNER TO MAKE ANY NOTATION ON SUCH PAYMENT GRID OF THE REDEMPTION OF A PORTION THEREOF, AND SHALL BE BINDING UPON THE REGISTERED OWNER, ANY HEIRS, SUCCESSORS OR ASSIGNS, OR ANY TRANSFEREE OR PURCHASER OF THIS BOND. ANY PURCHASER OR TRANSFEREE OF THIS BOND SHOULD CONTACT THE TRUSTEE TO ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF.

This Bond is one of an authorized issue of 2019 Series A Bonds in the aggregate principal amount of \$_____ (the “2019 Series A Bonds”) issued for the purpose of reimbursing expenditures incurred by the Commission, including providing funds for a deposit to the Reserve Fund. Simultaneously with the issuance of the 2019 Series A Bonds, pursuant to the 2019 Series BC Indenture, the Commission has issued its Program Revenue Bonds 2019 Series BC in the aggregate principal amount of \$16,220,000 (the “2019 Series BC Bonds,” and together with the 2019 Series A Bonds, the “2019 Series Bonds”).

The 2019 Series A Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Commission’s General Indenture of Trust, dated as of August 1, 2019 (the “General Indenture”), by and between the Commission and the Trustee, and the 2019 Series A Indenture adopted by the Commission as of August 1, 2019 (the “2019 Series A Indenture, and together with the General Indenture, “Indenture”). The General Indenture provides that the Commission may hereafter issue additional Bonds from time to time under certain terms and conditions contained in the General Indenture and, if issued, such additional Bonds will rank pari passu with this issue of 2019 Series A Bonds and be equally and ratably secured by and entitled to the protection of the General Indenture. Reference is hereby made to the General Indenture for a description of the property pledged and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Commission, the Trustee and the owners of the 2019 Series A Bonds and the terms upon which the 2019 Series A Bonds are issued and secured.

The Commission and the Trustee may deem and treat the Registered Owner 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 premium, if any, and interest due hereon and for all other purposes and neither the Commission nor the Trustee shall be affected by any notice to the contrary.

The 2019 Series A Bonds are issuable as registered 2019 Series A Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the General Indenture, registered 2019 Series A Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument

of transfer satisfactory to the Trustee duly executed by the Registered Owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the Registered Owner thereof, for a like aggregate principal amount of registered 2019 Series A Bonds without coupons of other authorized denominations of the same Series and the same maturity. This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the General Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of the same Series and the same maturity 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 Trustee is not required to make any exchange or transfer in the case of any proposed redemption of Bonds of such Series, after the first publication or the mailing of notice calling such Bonds or portions thereof for redemption has been given as herein provided, or during the fifteen days next preceding the date of the first publication of notice of such redemption.

The 2019 Series A Bonds shall be subject to optional, special and mandatory sinking fund redemption and purchase in lieu of redemption as provided in the General Indenture.

If any of the 2019 Series A Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2019 Series A Bonds or portions thereof to be redeemed will be given by the Trustee by transmitting a copy of the redemption notice at least twenty (20) days before the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books. All 2019 Series A Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that funds for their redemption are on deposit at the place of payment at that time.

The 2019 Series A Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Maryland, particularly Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County 1974, as amended, known as the Housing Opportunities Act, and the Memorandum of Understanding effective as of June 29, 2018, between the Commission and Montgomery County, Maryland.

This Bond and the issue of which it forms a part and the interest thereon are limited obligations of the Commission and are payable solely out of the Revenues and other assets of the Commission pledged therefor pursuant to the General Indenture. The Commission has no taxing power. The 2019 Series A Bonds do not constitute a debt of Montgomery County, the State of Maryland or any political subdivision thereof and neither Montgomery County, the State of Maryland nor any political subdivision thereof shall be liable thereon, nor in any event shall the 2019 Series A Bonds be payable out of any funds or properties of the Commission other than those pledged therefor. The 2019 Series A Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the commissioners of the Commission nor any persons executing the 2019 Series A Bonds shall be liable personally on the 2019 Series A Bonds by reason of the issuance thereof. Payments sufficient for the prompt payment, when due, of the principal of, premium, if any, and interest on the 2019 Series A Bonds are to be paid to the Trustee for the account of the Commission, which payments have been duly pledged and assigned for that purpose.

The Registered Owner 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 proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the 2019 Series A Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturities thereof, at the principal amount thereof, together with interest accrued thereon to the date of acceleration.

The General Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Commission and the rights of the owners of the 2019 Series A Bonds at any time by the Commission with the consent of the owners of the Bonds as set forth in the General Indenture. Any such consent or waiver by the Registered Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any 2019 Series A Bond issued in replacement thereof whether or not notation of such consent or waiver is made upon this Bond. The General Indenture also contains provisions permitting the Trustee to waive certain defaults under the General Indenture and their consequences.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the General 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; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Commission, does not exceed or violate any constitutional or statutory limitation; and that the amounts pledged to the payment of the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, are expected to be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee or an authorized signatory thereof.

IN WITNESS WHEREOF, the Housing Opportunities Commission of Montgomery County has caused this Bond to be executed in its name by the facsimile signature of its Chair and its corporate seal to be hereunto impressed or imprinted hereon and attested to by the facsimile signature of its Secretary-Treasurer.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

[SEAL]

By: _____
Jackie D. Simon
Chair

Attest:

By: _____
Stacy L. Spann
Secretary-Treasurer

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned General Indenture and is one of the Program Revenue Bonds, 2019 Series A of the Housing Opportunities Commission of Montgomery County.

_____, TRUSTEE

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ to transfer the within-mentioned Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature: _____ (Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program or similar program (STAMP, SEMP, MSP).)

Please insert social security or other identifying number of assignee: _____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

* * * * *

[End of Form of 2019 Series A Bond]

EXHIBIT B

OFFICER’S CERTIFICATE

Housing Opportunities Commission of Montgomery County
Program Revenue Bonds
\$_____ 2019 Series A (Non-AMT)

August _____, 2019

The undersigned Authorized Officer of the Housing Opportunities Commission of Montgomery County (the “Commission”), in connection with the above referenced Bonds (the “2019 Series A Bonds”) issued under the General Indenture of Trust dated as of August 1, 2019 (the “General Indenture”), by and between the Commission and _____, as trustee (the “Trustee”), and the 2019 Series A Indenture dated of August 1, 2019 (the “2019 Series A Indenture,” and together with the General Indenture, the “Indenture”), by and between the Commission and the Trustee, and in accordance with Sections 203 and 204 of the General Indenture, does hereby certify as follows:

- (1) Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.
- (2) The proceeds of the 2019 Series A Bonds (and any other funds) shall be credited to such Funds and Accounts as set forth in Section 3.03 of the 2019 Series A Indenture.
- (3) Upon the issuance of the Series of 2019 Series A Bonds the Parity Test and the Cash Flow Test will be satisfied.
- (4) The issuance of the 2019 Series A Bonds will have no material adverse effect on the ability of the Commission to pay the Principal Installments of and all Interest Requirements on all Bonds.
- (5) The amount to be deposited in the Reserve Fund, if any, is sufficient to increase the amount in that Fund to the Reserve Requirement effective after the issuance of the 2019 Series A Bonds.
- (6) Upon the issuance of the 2019 Series A Bonds and deposit of amounts in all Funds and Accounts as directed in this Officer’s Certificate and in the 2019 Series A Indenture, the Parity Test will be satisfied.

[SIGNATURE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned Authorized Officer has executed this Officer’s Certificate on behalf of the Housing Opportunities Commission of Montgomery County (the “Commission”) on the date first written above and has caused the Commission’s corporate seal to be hereunto impressed or imprinted hereon.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

[SEAL]

By: _____
Stacy L. Spann
Executive Director

[OFFICER’S CERTIFICATE – Program Revenue Bonds 2019 Series A]

2019 SERIES BC INDENTURE

by and between

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

and

[TRUSTEE]

Housing Opportunities Commission of Montgomery County
Program Revenue Bonds
\$4,610,000 2019 Series B (Non-AMT)
\$11,610,000 2019 Series C (AMT)

Dated as of August 1, 2019

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EXHIBIT A FORM OF 2019 SERIES BC BONDS
EXHIBIT B FORM OF OFFICER’S CERTIFICATE

2019 SERIES BC INDENTURE

THIS 2019 SERIES BC INDENTURE, dated as of August 1, 2019 (this “2019 Series BC Indenture”), entered into pursuant to that certain General Indenture of Trust (as more fully defined herein, the “General Indenture,” and together with the 2019 Series BC Indenture, the “Indenture”), is made by and between the HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, a public body corporate and politic organized and existing under the laws of the State of Maryland (the “Commission”), and _____, a _____, duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of _____, with a trust office located in _____, as trustee (the “Trustee”).

WHEREAS, the Commission is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law (the “Housing Authorities Law”) and the Memorandum of Understanding between the Commission and Montgomery County, Maryland, effective as of June 29, 2018 (the “MOU,” and together with the Housing Authorities Law, the “Act”); and

WHEREAS, pursuant to Act and the General Indenture of Trust, dated as of August 1, 2019 (the “General Indenture”), by and between the Commission and the Trustee, the Commission is authorized to issue Bonds (as defined in the General Indenture) to finance, among other things, Single Family Loans (as defined in the General Indenture), and to refund bonds previously issued by the Commission, whether issued under the General Indenture or another indenture or resolution of the Commission, in furtherance of the Program (as defined in the General Indenture); and

WHEREAS, in order to obtain funds with which to refund and redeem certain prior outstanding bonds of the Commission issued under other indentures and resolutions of the Commission, and to make certain moneys available to finance additional Single Family Loans, it is deemed necessary and advisable to issue two series of Program Revenue Bonds of the Commission as hereinafter provided;

NOW, THEREFORE, THIS SERIES 2019BC INDENTURE WITNESSETH that the Commission hereby agrees and covenants with the Trustee, except as otherwise provided herein for all equal and proportional benefit of the respective Holders, from time to time, of the Series 2019BC Bonds (as defined herein), or any part thereof, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. (a) Except as provided in subsection (b) hereof, all defined terms contained in the General Indenture when used in this 2019 Series BC Indenture shall have the same meanings as set forth in the General Indenture.

(b) As used in this 2019 Series BC Indenture, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“*Bond Counsel*” means one or more attorneys or firms of attorneys with a nationally recognized standing in the field of municipal bond financings selected by the Commission.

“*Business Day*” means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York or in which the designated corporate trust office of the Trustee is located, are authorized by law to close, or a day on which the New York Stock Exchange is closed.

“*Closing Date*” means August _____, 2019.

“*Electronic Means*” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“*Interest Payment Date*” means each January 1 and July 1, commencing January 1, 2020.

“*1954 Code*” means the Internal Revenue Code of 1954, as amended, and the regulations of the United States Department of Treasury thereunder.

“*1986 Code*” means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of Treasury thereunder.

“*No Arbitrage Certificate*” means the No Arbitrage Certificate, dated August _____, 2019 relating to the 2019 Series Bonds.

“*Record Date*” means the 15th day of the calendar month next preceding each Interest Payment Date.

“*Series B Refunded Bonds*” means the Commission’s _____ Bonds, in the aggregate principal amount of \$_____, of the series and in the specific amounts set forth in the Officer’s Certificate attached hereto as Exhibit B.

“*Series C Refunded Bonds*” means the Commission’s _____ Bonds, in the aggregate principal amount of \$_____, of the series and in the specific amounts set forth in the Officer’s Certificate attached hereto as Exhibit B.

“*Series BC Refunded Bonds*” means, collectively, the Series B Refunded Bonds and the Series C Refunded Bonds.

“*2019 Series A Bonds*” means the Commission’s Program Revenue Bonds, 2019 Series A, in the aggregate principal amount of \$30,000,000, authorized under the 2019 Series A Indenture.

“*2019 Series A Indenture*” means the 2019 Series A Indenture of the Commission authorizing the issuance of the 2019 Series A Bonds.

“*2019 Series B Bonds*” means the Commission’s Program Revenue Bonds, 2019 Series B (Non-AMT), in the aggregate principal amount of \$4,610,000.

“*2019 Series B Mortgage Loan Account*” means the Loan Account created pursuant to Section 3.01 hereof.

“*2019 Series B Refunding Account*” means the Account created pursuant to Section 3.02(a) hereof.

“*2019 Series BC Bonds*” means, collectively, the 2019 Series B Bonds and the 2019 Series C Bonds.

“*2019 Series BC Indenture*” means this Series Indenture of the Commission authorizing the issuance of the 2019 Series BC Bonds.

“*2019 Series BC Mortgage Loan Account*” has the meaning assigned in Section 3.01 hereof.

“*2019 BC Officer’s Certificate*” means the Officer’s Certificate attached hereto as Exhibit B required under Section 204 of the General Indenture.

“*2019 Series BC Rebate Account*” means the Account created pursuant to Section 3.02(b) hereof.

“*2019 Series BC Refunding Account*” has the meaning assigned in Section 3.02(a) hereof.

“*2019 Series C Bonds*” means the Commission’s Program Revenue Bonds, 2019 Series B (AMT), in the aggregate principal amount of \$11,610,000.

“*2019 Series C Mortgage Loan Account*” means the Loan Account created pursuant to Section 3.01 hereof.

“*2019 Series C Refunding Account*” means the Account created pursuant to Section 3.02(a) hereof.

“*2019 Series Bonds*” means, collectively, the 2019 Series A Bonds and the 2019 Series BC Bonds.

The terms “hereby,” hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this 2019 Series BC Indenture, refer to this 2019 Series BC Indenture.

Section 1.02. Authority for This 2019 Series BC Indenture. This 2019 Series BC Indenture is adopted pursuant to the provisions of the Act and the General Indenture.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF 2019 SERIES BC BONDS

Section 2.01. Authorization of Bonds, Principal Amount, Designation and Series. In order to provide sufficient funds necessary for the refunding and redemption of the Series BC Refunded Bonds, subject to the terms, conditions and limitations established in the General

Indenture and this 2019 Series BC Indenture, the 2019 Series BC Bonds are hereby authorized to be issued.

The 2019 Series B Bonds in the aggregate principal amount of \$[4,610,000] will be entitled “Program Revenue Bonds,” and such Series of Bonds shall bear the additional designation “2019 Series B” and each Bond as so designated shall be entitled “Program Revenue Bond, 2019 Series B (Non-AMT).” The 2019 Series B Bonds are to be substantially in the form attached to this 2019 Series BC Indenture as Exhibit A, with appropriate variations, omissions and insertions as permitted or required by the General Indenture.

The 2019 Series C Bonds in the aggregate principal amount of \$[11,600,000] will be entitled “Program Revenue Bonds,” and such Series of Bonds shall bear the additional designation “2019 Series C” and each Bond as so designated shall be entitled “Program Revenue Bond, 2019 Series C (AMT).” The 2019 Series C Bonds are to be substantially in the form attached to this 2019 Series BC Indenture as Exhibit A, with appropriate variations, omissions and insertions as permitted or required by the General Indenture.

Section 2.02. Purposes. The purposes for which the 2019 Series BC Bonds are being issued are to refund and redeem \$[16,210,000] aggregate principal amount of the Series BC Refunded Bonds. A more detailed description of the replacement refunding occurring in connection with the issuance of the 2019 Series Bonds and the use of funds made available from the issuance of the 2019 Series Bonds and such refundings are provided in the Commission’s No Arbitrage Certificate.

Section 2.03. Issue Date and Payment. The 2019 Series BC Bonds shall be dated the date of delivery and authentication thereof. The 2019 Series BC Bonds will bear interest from the date of delivery thereof, payable semiannually on each Interest Payment Date. Interest on the 2019 Series BC Bonds shall be paid by check to the registered owners at their addresses as they appear as of the close of business on the Record Date on the registration books of the Commission maintained by _____, as trustee and registrar (the “Trustee”) or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such registered owners on or prior to the Record Date or, upon timely written request of a registered owner of 2019 Series BC Bonds and payment of any applicable transfer fee, by wire transfer from the Trustee to the registered owner thereof. Principal of, redemption premium, if any, and interest due at maturity or upon redemption or purchase of the 2019 Series BC Bonds will be payable at the designated corporate trust office of the Trustee at maturity or earlier redemption or purchase.

Section 2.04. The 2019 Series BC Bonds.

(a) The 2019 Series BC Bonds shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum as follows:

2019 Series B Bonds

\$ _____ **Serial Bonds**

| | | |
|-------------|---------------|----------------------|
| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> |
| | \$ | % |

\$ _____ **Term Bonds**

| | | |
|-------------|---------------|----------------------|
| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> |
| | \$ | % |

2019 Series C Bonds

\$ _____ **Serial Bonds**

| | | |
|-------------|---------------|----------------------|
| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> |
| | \$ | % |

\$ _____ **Term Bonds**

| | | |
|-------------|---------------|----------------------|
| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> |
| | \$ | % |

Section 2.05. Issue Date. The Issue Date of the 2019 Series BC Bonds shall be \$ _____.

Section 2.06. Denominations, Numbers and Letters. The 2019 Series BC Bonds shall be issued as fully registered Bonds without coupons. The 2019 Series BC Bonds shall be issued in the denominations of \$5,000 each or any integral multiple thereof. The 2019 Series B Bonds shall be numbered consecutively from one upwards with the prefix RB preceding each number. The 2019 Series C Bonds shall be numbered consecutively from one upwards with the prefix RC preceding each number.

Section 2.07. Exchange of 2019 Series BC Bonds. Subject to the limitations and upon payment of the charges provided in the General Indenture, the 2019 Series BC Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner thereof or by his or her

attorney duly authorized in writing, may be exchanged, at the option of the registered owner thereof, for a like aggregate principal amount of registered 2019 Series BC Bonds without coupons of other authorized denominations of the same series and the same maturity. None of the 2019 Series BC Bonds may be exchanged for coupon Bonds.

Section 2.08. *Trustee, Registrar and Paying Agent.* _____, is hereby appointed the Trustee, Registrar and Paying Agent of the 2019 Series BC Bonds.

Section 2.09. *Special Redemption from the Series 2019 BC Mortgage Loan Account and Revenue Fund.*

(a) Mortgage Loan Account. The 2019 Series BC Bonds are subject to redemption at the option of the Commission, in whole or in part, at any time, from moneys deposited in the 2019 Series BC Mortgage Loan Account and not used to make or purchase Single Family Loans or purchase Guaranteed Mortgage Securities, at a price equal to the principal amount thereof plus accrued interest, if any, to the redemption date without premium, calculated as of the redemption date.

The 2019 Series BC Bonds are subject to redemption in part from a portion of the moneys on deposit in the 2019 Series BC Mortgage Loan Account in the amount of _____, if such moneys are not applied to the purchase of Single Family Loans or Guaranteed Mortgage Securities by the date set forth in the final cash flows prepared for the issuance of the 2019 Series BC Bonds, unless the Commission prepares cash flows reflecting a later acquisition period and receives confirmation from any rating agency that has an outstanding rating on the 2019 Series BC Bonds, at the Commission's request, that the rating on the Bonds will not be lowered or withdrawn.

(b) Revenue Fund. The 2019 Series BC Bonds are subject to redemption at the option of the Commission, in whole or in part, at any time, at a price equal to the principal amount thereof plus accrued interest thereon, if any, to the date fixed for redemption, from Revenues relating to any Series of Bonds (primarily payments of principal and interest and Prepayments of principal on Single Family Loans and Guaranteed Mortgage Securities and earnings on Permitted Investments) and any amounts available as a result of a reduction in the reserve requirements established pursuant to the Indenture, which are in excess of the amount required to pay principal of and interest on the Bonds in the then current year.

Section 2.10. *Optional Redemption from Revenue Fund.* (a) The 2019 Series BC Bonds maturing on or after _____ are subject to redemption or purchase in lieu of redemption, at the option of the Commission, from moneys in the Revenue Fund, in whole or in part, at any time on or after _____, at one hundred percent (100%) of the principal amount thereof, plus accrued interest thereon, if any, to the redemption or purchase date, plus accrued interest, if any to the redemption date.

To exercise the option to purchase the 2019 Series BC Bonds in lieu of redemption pursuant to this section, the Commission shall deliver written notice thereof to the Trustee no later than 12:00 Noon, New York City Time, on the date the 2019 Series BC Bonds would otherwise have been redeemed (the "Purchase-in-Lieu Date"), and the Commission shall transfer or cause to be transferred to the Trustee the moneys required to purchase the 2019 Series BC Bonds no later than

12:00 Noon, New York City Time, on such Purchase-in-Lieu Date. If notice of redemption has been given as required under the General Indenture, no additional notice to the Bondholders shall be required to be given of the exercise by the Commission of the option to purchase 2019 Series BC Bonds pursuant to this Section. All 2019 Series BC Bonds shall be deemed to have been purchased on the Purchase-in-Lieu Date provided funds sufficient to purchase the 2019 Series BC Bonds on the Purchase-in-Lieu Date have been deposited with the Trustee, and from and after such Purchase-in-Lieu Date, interest shall cease to accrue on the 2019 Series BC Bonds to the prior Bondholders, and the prior owners thereof shall have no rights with respect to such 2019 Series BC Bonds except to receive payment of the purchase price thereof and accrued interest to the Purchase-in-Lieu Date. Notwithstanding such purchase, the 2019 Series BC Bonds shall remain Outstanding for all purposes under this 2019 Series BC Indenture and the General Indenture. Failure to mail the related notice of redemption or any defect therein shall not affect the validity of the purchase of the 2019 Series BC Bonds. The Commission's notice of purchase in lieu of redemption may be conditioned upon receipt of funds by the Trustee or may be withdrawn at any time as specified therein. The Commission's notice of purchase in lieu of redemption may be given in conjunction with a notice of redemption given pursuant to the General Indenture, in which case it shall so state and shall provide that a withdrawal of the purchase notice will not constitute a withdrawal of the redemption notice unless otherwise specified therein.

Section 2.11. *Sinking Fund Redemption.*

The 2019 Series B Bonds maturing on _____ are subject to mandatory redemption in part by lot on _____ and on each July 1 and January 1 thereafter, to and including _____, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

| <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> | <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> |
|-------------|---|--|-------------|---|--|
|-------------|---|--|-------------|---|--|

The 2019 Series C Bonds maturing on _____ are subject to mandatory redemption in part by lot on _____ and on each July 1 and January 1 thereafter, to and including _____, at the principal amount thereof, plus accrued interest thereon to the redemption date, in the years and principal amounts as follows:

| <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> | <u>Year</u> | <u>Principal Amount (January)</u> \$ | <u>Principal Amount (July)</u> |
|-------------|---|--|-------------|---|--|
|-------------|---|--|-------------|---|--|

Section 2.12. Issue and Sale of 2019 Series BC Bonds. The 2019 Series BC Bonds authorized to be issued herein shall be sold to BofA Securities, Inc. and Jefferies LLC (together, the “Underwriters”) at the aggregate price of \$_____ on the terms and conditions set forth in the Contract of Purchase dated _____, 2019, by and between the Underwriters and the Commission (the “Contract of Purchase”). The Underwriters will receive an underwriting fee of \$_____ relating to the sale of the 2019 Series BC Bonds.

Section 2.13. Delivery of 2019 Series BC Bonds. (a) The 2019 Series BC Bonds shall be delivered, upon compliance with the provisions of the General Indenture to the order of the Underwriters named in Section 2.12 hereof, at such time and place as provided in, and subject to, the provisions of the Contract of Purchase.

(b) The execution and distribution of the Official Statement and the execution of the Contract of Purchase are hereby approved and ratified.

(d) The Executive Director, Chair, Vice-Chair or Chair pro tem are authorized to make such changes, deletions and additions to the provisions of this 2019 Series BC Indenture, consistent with the purposes of this 2019 Series BC Indenture, as they deem necessary or advisable to issue the 2019 Series BC Bonds.

Section 2.14. Further Authority. The Commission authorizes the Chair, Vice-Chair, Chair pro tem and Executive Director of the Commission to do or perform all such acts and to execute all such certificates, documents and other instruments as they or either of them deem necessary or advisable to provide for the issuance, sale and delivery of the 2019 Series BC Bonds.

Section 2.15. Trustee Authority to Facilitate Use of Securities Depository. The Commission and the Trustee agree that authorized officers of the Trustee are, and each of them is, hereby authorized to do or perform such acts and to execute all such certificates, documents and other instruments as they or any of them deem necessary or advisable to facilitate the efficient use of a securities depository for all or any portion of the 2019 Series BC Bonds; provided that neither the Trustee nor the Commission may assume: (i) any obligations to such securities depository or beneficial owners of Bonds that are inconsistent with their obligations to any registered bondholder under this 2019 Series BC Indenture or the General Indenture or (ii) any obligation which would directly or indirectly create obligations on the part of the Trustee or the Commission to persons who own 2019 Series BC Bonds or interests therein but who are not registered owners of 2019 Series BC Bonds, unless the Commission shall have consented in writing to such obligations.

Section 2.16. *Special Procedures Relating to Partial Redemptions.* The Commission, with the prior written consent of the Trustee, may enter into an agreement with an owner of any 2019 Series BC Bond having a denomination greater than \$5,000 providing that such registered owner is authorized to effect a reduction in the face amount of such 2019 Series BC Bond by making a notation indicating the principal amount of such redemption and the date thereof on the payment grid attached to such 2019 Series BC Bond in lieu of surrendering such 2019 Series BC Bond to the Trustee for cancellation and the issuance of a new bond or bonds in the amount of the unredeemed portion thereof in accordance with Section 2.15 of the General Indenture. If the Commission and an owner enter into such an agreement, the records of the Trustee shall be conclusive in determining the outstanding principal amount of any 2019 Series BC Bond affected by the agreement, notwithstanding the failure of the owner to make any notation on the payment grid attached to such 2019 Series BC Bond of the redemption of a portion thereof, and shall be binding upon the owner, any heirs, personal representatives, successors or assigns, or any transferee or purchaser of such 2019 Series BC Bond. If the Commission enters into such an agreement with such an owner of any 2019 Series BC Bond, a notation of the effect of such agreement may be inserted in the form of any 2019 Series BC Bond to be delivered to such owner.

ARTICLE III

2019 SERIES BC BONDS

Section 3.01. *Establishment of 2019 Series BC Mortgage Loan Account.* There are hereby established (a) an account designated as the 2019 Series B Mortgage Loan Account, moneys in which shall be used for the purposes and as authorized by Section 3.03 of the General Indenture and this 2019 Series BC Indenture and (b) an account designated as the 2019 Series C Mortgage Loan Account, moneys in which shall be used for the purposes and as authorized by Section 3.03 of the General Indenture and this 2019 Series BC Indenture. The 2019 Series B Mortgage Loan Account and the 2019 Series C Mortgage Loan Account are collectively referred to herein as the “2019 Series BC Mortgage Loan Account.” The Commission acknowledges that the 2019 Series BC Bonds have been structured to have certain redemption priorities and protections, and the Commission covenants to apply moneys in the 2019 Series BC Mortgage Loan Account to effect such priorities and protections.

Section 3.02. *Establishment of 2019 Series BC Refunding Account and 2019 Series BC Rebate Account.* (a) There are hereby established (a) a special account separate from all other funds and accounts, irrevocably in trust for, and assigned to, the Holders of the Series B Refunded Bonds, designated as the 2019 Series B Refunding Account, moneys in which shall be used to pay the principal of the Series B Refunded Bonds upon redemption as contemplated in the 2019 BC Officer’s Certificate, and for such other purposes as authorized by the General Indenture and this 2019 Series BC Indenture and (b) a special account separate from all other funds and accounts, irrevocably in trust for, and assigned to, the Holders of the Series C Refunded Bonds, designated as the 2019 Series C Refunding Account, moneys in which shall be used to pay the principal of the Series C Refunded Bonds upon redemption as provided in Section 3.04 hereof and for such other purposes as authorized by the General Indenture and this 2019 Series BC Indenture. The 2019 Series B Refunding Account and the 2019 Series C Refunding Account are collectively referred to herein as the “2019 Series BC Refunding Account.”

(b) There is hereby established a special account separate from all other funds and accounts, designated as the 2019 Series BC Rebate Account, as authorized by Section 4.01 of the General Indenture, moneys in which shall be used to pay rebate to the United States as provided in Section 3.05 hereof.

Section 3.03. *Application of Proceeds of the 2019 Series BC Bonds.* The Trustee shall apply the proceeds of the 2019 Series BC Bonds as follows:

(a) (i) \$_____, representing the proceeds of the 2019 Series B Bonds shall be deposited into the 2019 Series B Refunding Account and (ii) \$_____, representing the proceeds of the 2019 Series C Bonds shall be deposited into the 2019 Series C Refunding Account.

(b) On June _____, 2019, the Trustee is hereby directed to transfer for deposit to the Revenue Fund, established pursuant to Section 401 of the General Indenture, amounts on deposit in the 2019 Series BC Refunding Account for application to the refunding and redemption of the Series BC Refunded Bonds in accordance the 2019 BC Officer's Certificate.

(c) No amount of the proceeds of the 2019 Series BC Bonds shall be deposited in the Reserve Fund.

(d) The Commission covenants to use its best efforts to apply the proceeds of the 2019 Series BC Bonds in the 2019 Series BC Mortgage Loan Account to make or purchase Single Family Loans or Guaranteed Mortgage Securities, provided, however, that nothing herein shall prohibit the Commission's use of moneys in any Mortgage Loan Account if necessary to maintain the tax-exempt status of the 2019 Series BC Bonds or to best achieve the objectives of the Program.

(e) No amount of the proceeds of the 2019 Series BC Bonds shall be used to pay the costs of issuing the 2019 Series BC Bonds.

Section 3.04. *Certification Required under Section 204 of the General Indenture.* (a) In accordance with Section 204 of the General Indenture, the Commission hereby agrees to deliver, on the date of issuance of the 2019 Series BC Bonds, the 2019 BC Officer's Certificate, setting forth or otherwise providing, among other things, direction with respect to the refunding of the Series BC Refunded Bonds.

Section 3.05. *Restriction as to "Arbitrage Bonds."* The Commission shall not use or direct or permit the use of the proceeds of the 2019 Series BC Bonds or any other moneys held under the General Indenture or this 2019 Series BC Indenture in any manner that would cause the 2019 Series BC Bonds to be "arbitrage bonds" within the meaning ascribed to such quoted term in the 1986 Code. The Commission covenants that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the 1986 Code. This covenant shall survive payment in full or defeasance of the 2019 Series BC Bonds. Money shall be deposited to the 2019 Series BC Rebate Account by the Commission or by the Trustee at the written direction of the Commission and shall be held by the Trustee to the extent required to make the necessary payments to the United States pursuant to Section 148(f) of the 1986 Code. Upon receipt of the

Commission's written directions, the Trustee shall remit part or all of the balances in the 2019 Series BC Rebate Account to the United States as so directed. Any funds remaining in the 2019 Series BC Rebate Account after redemption and payment of all of the 2019 Series BC Bonds and payment and satisfaction of any requirement to make payment to the United States pursuant to Section 148(f) of the 1986 Code, or provision for payment made satisfactory to the Trustee, shall be withdrawn and remitted to the Commission.

Section 3.06. *Special Tax Covenants.* (a) The Commission hereby covenants: (i) to take all steps and actions necessary to assure the successful operation of the Program in a manner consistent with the preservation of the exclusion of the interest payable on the 2019 Series BC Bonds from gross income under Sections 103 and 143(e) and (f) of the 1986 Code, (ii) to take all steps and actions necessary to preserve the exclusion of the interest payable on the 2019 Series BC Bonds from gross income under Sections 103 and 143(e) and (f) of the 1986 Code and (iii) to refrain from taking any steps or actions that would impair or call into question the exclusion of the interest payable on the 2019 Series BC Bonds from gross income under Sections 103 or 143(e) and (f) of the 1986 Code.

(b) The Commission covenants not to use the proceeds of the 2019 Series BC Bonds to finance a Single Family Residence unless:

(1) The acquisition cost (within the meaning of Section 143(e) of the 1986 Code) of such Single Family Residence does not exceed 90% of the average area purchase price applicable to such Single Family Residence at the time of the financing of the Mortgage Loan, which average area purchase prices are set forth in Revenue Procedure 88-48 for the current period, unless such Single Family Residence is located in a Targeted Area, in which case the acquisition cost (within the meaning of Section 143 of the 1986 Code) may not exceed 110% of the average area purchase price applicable to such Single Family Residence; and

(2) The current annual income of the family using or intending to use the Single Family Residence as its principal residence does not exceed 115% (100% for families of less than three individuals) of the median gross income for the area in which such Single Family Residence is located, in accordance with regulations issued pursuant to Section 8 of the United States Housing Act of 1937.

These covenants may be modified from time to time pursuant to written instructions as delivered to the Trustee by the Commission, accompanied by an opinion of Bond Counsel permitting such modifications.

Section 3.07. *Covenant for Use of Prepayments.* Subject to the provisions of Section 2.09 hereof, the Commission will apply repayments and prepayments of principal of Single Family Loans or Guaranteed Mortgage Securities financed from the issuance of the 2019 Series BC Bonds that, under the Code, are not permitted to be used to finance additional Single Family Loans or Guaranteed Mortgage Securities, to the redemption of the 2019 Series BC Bonds.

ARTICLE IV

MISCELLANEOUS

Section 4.01. *Continuing Disclosure.* The Commission agrees to comply with and carry out the provisions of the Continuing Disclosure Agreement dated as of August _____, 2019 by and between the Commission and _____, as dissemination agent, and any other information filings required by federal securities laws.

Section 4.02. *Unclaimed Moneys.* In the event any 2019 Series BC Bond is not presented for payment when the principal of any such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such 2019 Series BC Bond have been deposited with the Trustee for the benefit of the owners of such Bond and have remained unclaimed for 5 years after such principal has become due and payable, either at the stated maturity date thereof or by call for earlier redemption, then such amounts shall, at the request of the Commission, be repaid by the Trustee to the Commission, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Commission for the payment of such 2019 Series BC Bonds, as the case may be; provided, however, that the Trustee, before being required to make any such payment to the Commission shall, at the expense of the Commission, cause to be published, at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers, notice that such moneys remain unclaimed and that, after a date specified in such notice, which will not be less than 30 days from the date of such publication, any unclaimed balance of such moneys then remaining will be paid to the Commission. The obligation of the Trustee under this Section to pay any such amounts to the Commission will be subject to any provisions of law applicable to the Trustee or to such amounts providing other requirements for disposition of unclaimed property.

Section 4.03. *Electronic Means.* The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to the General Indenture and this 2019 Series BC Indenture and delivered using Electronic Means; provided, however, that the Commission shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Commission whenever a person is to be added or deleted from the listing. If the Commission elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Commission understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Commission shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Commission and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Commission. 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 directions conflict or are inconsistent with a subsequent written instruction. The Commission agrees: (i) to assume all risks arising out of the use of

Electronic Means to submit Instructions 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 Commission; (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; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 4.04. *Severability.* If any provision of this 2019 Series BC Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.05. *Applicable Provisions of Law.* This 2019 Series BC Indenture shall be governed by and construed in accordance with the laws of the State of Maryland.

Section 4.06. *Effective Date.* This 2019 Series BC Indenture shall be effective on the Closing Date.

IN WITNESS WHEREOF, the undersigned Authorized Officer of the Commission has executed this General Indenture as of the date first written above and has caused the Commission's corporate seal to be hereunto impressed or imprinted hereon, and a duly authorized officer of the Trustee has caused this General Indenture to be executed as of the effective date hereof.

HOUSING OPPORTUNITIES COMMISSION
MONTGOMERY COUNTY

[SEAL]

By: _____
Jackie D. Simon
Chair

ATTEST:

By: _____
Stacy L. Spann
Secretary-Treasurer

[TRUSTEE'S SIGNATURE BLOCK]

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO 2019 SERIES BC INDENTURE]

EXHIBIT A

FORMS OF 2019 SERIES BC BONDS

UNITED STATES OF AMERICA
STATE OF MARYLAND
HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

Program Revenue Bonds
2019 Series [B][C]

NO. R[B][C]- \$

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:

% June _____, 2019

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Housing Opportunities Commission of Montgomery County, a public body corporate and politic of the State of Maryland (the "Commission"), for value received, promises to pay from the sources and as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date identified above, the Principal Amount identified above, and in like manner to pay interest on said sum from the Dated Date identified above, at the Interest Rate per annum identified above, semiannually on January 1 and July 1 of each year, commencing January 1, 2020 (the "Interest Payment Date"), until said Principal Amount is paid, except as the provisions hereinafter set forth with respect to redemption of this Bond before maturity may become applicable hereto. Interest on this Bond is payable by check mailed to the Registered Owner hereof as his or her name and address appear, as of the close of business on the 15th day of the month next preceding each Interest Payment Date (the "Record Date"), on the registration books of the Commission maintained by _____, as trustee and registrar (the "Trustee"), or a successor thereto, or at such other addresses as are furnished to the Trustee in writing by such Registered Owner on or prior to the Record Date or, upon timely written request of a Registered Owner and payment of wire transfer fee, by wire transfer from the Trustee to the Registered Owner. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The principal and redemption premium, if any, and interest due at maturity or upon redemption or purchase of this Bond will be payable at the designated corporate trust office of the Trustee in any 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.

In the event of a partial redemption of this Bond, the Registered Owner hereof is authorized to effect a reduction in the face amount of this Bond by making a notation indicating the principal amount of such redemption and the date thereon on the Payment Grid attached hereto, in lieu of surrendering this Bond to the Trustee for cancellation and the issuance of a new Bond or Bonds in the amount of the unredeemed portion hereof. ACCORDINGLY, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND MAY BE LESS THAN THE STATED FACE AMOUNT HEREOF AND THE RECORDS OF THE TRUSTEE SHALL BE CONCLUSIVE AS TO THE OUTSTANDING PRINCIPAL AMOUNT HEREOF, NOTWITHSTANDING THE FAILURE OF THE REGISTERED OWNER TO MAKE ANY NOTATION ON SUCH PAYMENT GRID OF THE REDEMPTION OF A PORTION THEREOF, AND SHALL BE BINDING UPON THE REGISTERED OWNER, ANY HEIRS, SUCCESSORS OR ASSIGNS, OR ANY TRANSFEREE OR PURCHASER OF THIS BOND. ANY PURCHASER OR TRANSFEREE OF THIS BOND SHOULD CONTACT THE TRUSTEE TO ASCERTAIN THE OUTSTANDING PRINCIPAL AMOUNT HEREOF.

This Bond is one of an authorized issue of 2019 Series [B][C] Bonds in the aggregate principal amount of \$_____ (the “2019 Series [B][C] Bonds”) issued for the purpose of refunding and redeeming certain of its prior outstanding Bonds, which were issued for the purpose of providing funds for the Commission to carry out its program of making or purchasing qualified mortgage loans for the acquisition, construction, and rehabilitation of dwelling accommodations for persons of eligible income to facilitate the development of a sufficient supply of single family residential housing in Montgomery County, Maryland for such persons, including providing funds for various reserve funds. Simultaneously with the issuance of the 2019 Series [B][C] Bonds, pursuant to the 2019 Series A Indenture, the Commission has issued its Program Revenue Bonds 2019 Series A in the aggregate principal amount of \$30,000,000 (the “2019 Series A Bonds,” and together with the 2019 Series BC Bonds, the “2019 Series Bonds”).

The 2019 Series [B][C] Bonds are all issued under and are equally and ratably secured by and entitled to the protection of the Commission’s General Indenture of Trust, dated as of August 1, 2019 (the “General Indenture”), by and between the Commission and the Trustee, and the 2019 Series BC Indenture adopted by the Commission as of August 1, 2019 (the “2019 Series BC Indenture, and together with the General Indenture, “Indenture”). The General Indenture provides that the Commission may hereafter issue additional Bonds from time to time under certain terms and conditions contained in the General Indenture and, if issued, such additional Bonds will rank pari passu with this issue of 2019 Series [B][C] Bonds and be equally and ratably secured by and entitled to the protection of the General Indenture. Reference is hereby made to the General Indenture for a description of the property pledged and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Commission, the Trustee and the owners of the 2019 Series [B][C] Bonds and the terms upon which the 2019 Series [B][C] Bonds are issued and secured.

The Commission and the Trustee may deem and treat the Registered Owner 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 premium, if any, and interest due hereon and for all other purposes and neither the Commission nor the Trustee shall be affected by any notice to the contrary.

The 2019 Series [B][C] Bonds are issuable as registered 2019 Series [B][C] Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges provided in the General Indenture, registered 2019 Series [B][C] Bonds, upon surrender thereof at the designated corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner thereof or by his or her attorney duly authorized in writing, may be exchanged, at the option of the Registered Owner thereof, for a like aggregate principal amount of registered 2019 Series [B][C] Bonds without coupons of other authorized denominations of the same Series and the same maturity. This Bond is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the General Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds of the same Series and the same maturity 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 Trustee is not required to make any exchange or transfer in the case of any proposed redemption of Bonds of such Series, after the first publication or the mailing of notice calling such Bonds or portions thereof for redemption has been given as herein provided, or during the fifteen days next preceding the date of the first publication of notice of such redemption.

The 2019 Series [B][C] Bonds shall be subject to optional, special and mandatory sinking fund redemption and purchase in lieu of redemption as provided in the General Indenture.

If any of the 2019 Series [B][C] Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2019 Series [B][C] Bonds or portions thereof to be redeemed will be given by the Trustee by transmitting a copy of the redemption notice at least twenty (20) days before the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books. All 2019 Series [B][C] Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that funds for their redemption are on deposit at the place of payment at that time.

The 2019 Series [B][C] Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Maryland, particularly Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and Chapter 41 of the Laws of Montgomery County 1974, as amended, known as the Housing Opportunities Act, and the Memorandum of Understanding effective as of June 29, 2018, between the Commission and Montgomery County, Maryland.

This Bond and the issue of which it forms a part and the interest thereon are limited obligations of the Commission and are payable solely out of the Revenues and other assets of the Commission pledged therefor pursuant to the General Indenture. The Commission has no taxing power. The 2019 Series [B][C] Bonds do not constitute a debt of Montgomery County, the State of Maryland or any political subdivision thereof and neither Montgomery County, the State of Maryland nor any political subdivision thereof shall be liable thereon, nor in any event shall the 2019 Series [B][C] Bonds be payable out of any funds or properties of the Commission other than those pledged therefor. The 2019 Series [B][C] Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the

commissioners of the Commission nor any persons executing the 2019 Series [B][C] Bonds shall be liable personally on the 2019 Series [B][C] Bonds by reason of the issuance thereof. Payments sufficient for the prompt payment, when due, of the principal of, premium, if any, and interest on the 2019 Series [B][C] Bonds are to be paid to the Trustee for the account of the Commission, which payments have been duly pledged and assigned for that purpose.

The Registered Owner 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 proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the 2019 Series [B][C] Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturities thereof, at the principal amount thereof, together with interest accrued thereon to the date of acceleration.

The General Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Commission and the rights of the owners of the 2019 Series [B][C] Bonds at any time by the Commission with the consent of the owners of the Bonds as set forth in the General Indenture. Any such consent or waiver by the Registered Owner of this Bond shall be conclusive and binding upon such owner and upon all future owners of this Bond and of any 2019 Series [B][C] Bond issued in replacement thereof whether or not notation of such consent or waiver is made upon this Bond. The General Indenture also contains provisions permitting the Trustee to waive certain defaults under the General Indenture and their consequences.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the General 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; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Commission, does not exceed or violate any constitutional or statutory limitation; and that the amounts pledged to the payment of the principal of and premium, if any, and interest on this Bond and the issue of which it forms a part, as the same become due, are expected to be sufficient in amount for that purpose.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Trustee or an authorized signatory thereof.

IN WITNESS WHEREOF, the Housing Opportunities Commission of Montgomery County has caused this Bond to be executed in its name by the facsimile signature of its Chair and its corporate seal to be hereunto impressed or imprinted hereon and attested to by the facsimile signature of its Secretary-Treasurer.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

[SEAL]

By: _____
Jackie D. Simon
Chair

Attest:

By: _____
Stacy L. Spann
Secretary-Treasurer

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned General Indenture and is one of the Program Revenue Bonds, 2019 Series [B][C] of the Housing Opportunities Commission of Montgomery County.

_____, TRUSTEE

By: _____
Authorized Signatory

Date of Authentication: _____

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ to transfer the within-mentioned Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature: _____ (Signature(s) must be guaranteed by a broker or other financial institution which is a participant in the Securities Transfer Agent's Medallion Program or similar program (STAMP, SEMP, MSP).)

Please insert social security or other identifying number of assignee: _____

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

* * * * *

[End of Form of 2019 Series [B][C] Bond]

EXHIBIT B

OFFICER’S CERTIFICATE

Housing Opportunities Commission of Montgomery County
Program Revenue Bonds

\$_____ 2019 Series B (Non-AMT)

\$_____ 2019 Series C (AMT)

August _____, 2019

The undersigned Authorized Officer of the Housing Opportunities Commission of Montgomery County (the “Commission”), in connection with the above referenced Bonds (the “2019 Series BC Bonds”) issued under the General Indenture of Trust dated as of August 1, 2019 (the “General Indenture”), by and between the Commission and _____, as trustee (the “Trustee”), and the 2019 Series BC Indenture dated of August 1, 2019 (the “2019 Series BC Indenture,” and together with the General Indenture, the “Indenture”), by and between the Commission and the Trustee, and in accordance with Sections 203 and 204 of the General Indenture, does hereby certify as follows:

(1) Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

(2) The proceeds of the 2019 Series BC Bonds (and any other funds) shall be credited to such Funds and Accounts as set forth in Section 3.03 of the 2019 Series BC Indenture.

(3) Upon the issuance of the Series of 2019 Series BC Bonds the Parity Test and the Cash Flow Test will be satisfied.

(4) The issuance of the 2019 Series BC Bonds will have no material adverse effect on the ability of the Commission to pay the Principal Installments of and all Interest Requirements on all Bonds.

(5) The 2019 Series BC Bonds are issued to refund obligations issued under the provisions of an indenture or resolution other than the General Indenture (the “Series BC Refunded Bonds”). In accordance with Sections 203 and 204(C) of the General Indenture:

(a) the Series BC Refunded Bonds, the redemption amounts and redemption dates are as follows:

| <u>Bond Series</u> | <u>Bond Resolution/Indenture</u> | <u>Redemption Amount</u> | <u>Trustee</u> | <u>Redemption Date</u> |
|--------------------|--------------------------------------|--------------------------|----------------|------------------------|
| | Single Family Mortgage Revenue Bonds | \$ | | |

(b) as of the date hereof, funds on deposit with the Trustee are sufficient to effect the retirement of the Series BC Refunded Bonds and interest and redemption premiums to be refunded in accordance with Section 204(B) of the General Indenture, to the extent applicable.

(c) all necessary actions have been taken for the refunding and immediate discharge of the Series BC Refunded Bonds with reference thereto in accordance with the provisions of Section 204 of the General Indenture and of the indentures pursuant to which the Series BC Refunded Bonds were issued; and

(d) the money, investments and other assets and income held in and receivable by funds and accounts established by or pursuant to such indentures, to the extent required to satisfy the conditions precedent to the issuance of the 2019 Series BC Bonds as stated in Section 203 of the General Indenture, are transferred to and/or deposited with the Trustee and subjected to the provisions of this General Indenture and, subject to such provisions, are pledged to the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, at the times and in the manner provided in this General Indenture and 2019 Series BC Indenture.

(6) The amount to be deposited in the Reserve Fund, if any, is sufficient to increase the amount in that Fund to the Reserve Requirement effective after the issuance of the 2019 Series BC Bonds.

(7) Upon the issuance of the 2019 Series BC Bonds and deposit of amounts in all Funds and Accounts as directed in this Officer's Certificate and in the 2019 Series BC Indenture, the Parity Test will be satisfied.

[SIGNATURE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned Authorized Officer has executed this Officer's Certificate on behalf of the Housing Opportunities Commission of Montgomery County (the "Commission") on the date first written above and has caused the Commission's corporate seal to be hereunto impressed or imprinted hereon.

HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY

[SEAL]

By: _____
Stacy L. Spann
Executive Director

[OFFICER'S CERTIFICATE – Program Revenue Bonds 2019 Series BC]

RESOLUTION: 2019-78

Re: Approval of a New Limited Obligation General Trust Indenture to Finance Multiple Housing Programs; Approval of Structure, Cost of Issuance Budget, and Adoption of Series Indentures for the Issuance of Program Revenue Bonds, 2019 Series A, 2019 Series B and 2019 Series C, for the Purposes of Reimbursing Capital Expenditures and Refunding Bonds Previously Issued by the Commission

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Memorandum of Understanding effective June 29, 2018 between the Commission and Montgomery County, Maryland (collectively, the "Act"), and is authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes, which include, without limitation, the construction, financing and operation of housing developments for persons of eligible income and the financing of new mortgage loans for Montgomery County, Maryland first time homebuyers; and

WHEREAS, to provide a source of funds to fulfill its purposes authorized by the Act, the Commission has determined to authorize the execution and delivery of a General Trust Indenture (the "General Indenture") by and between the Commission and a trustee selected by the Commission (the "Trustee"); and

WHEREAS, the General Indenture authorizes the Commission to issue its bonds, notes or other obligations from time to time (the "Bonds") pursuant to one or more series indentures in order to obtain funds to carry out the purposes and provisions of the Act, primarily by the making, purchasing or financing of Loans (as defined in the General Indenture), including the payment, when due, of principal of and redemption premium, if any, and interest on the Bonds, and by the financing or reimbursement of housing-related capital expenditures (collectively, the "Program"); and

WHEREAS, the Commission has determined to carry out the Program by issuing one or more series of its Program Revenue Bonds designated 2019 Series A, 2019 Series B and 2019 Series C, and with each subsequent series, if any, to follow in alphabetical order (collectively, the "Series Bonds") in a total aggregate principal amount not to exceed \$50,000,000, for purposes of (a) reimbursing the Commission for previously incurred capital expenditures; (b) refunding a series of bonds previously issued by the Commission (the "Prior Bonds"), the interest on which will not be subject to the federal alternative minimum tax; (c) refunding Prior Bonds, the interest on which will be subject to the federal alternative minimum tax; and (d) if necessary, funding reserves (collectively, the "Series Purposes"); and

WHEREAS, the Series Bonds will be issued pursuant to one or more series indentures (the "Series Indentures," and together with the General Indenture, the "Indenture"), drafts of which have been provided to the Commission, and the Series Bonds will be marketed to potential holders of the Bonds pursuant to a Preliminary Official Statement (the "Preliminary Official Statement," and following

the sale of the Series Bonds and the appropriate revisions reflecting the final pricing and terms of the Series Bonds, the “Official Statement”), a draft of which has been provided to the Commission; and

WHEREAS, the Bonds and the interest and any premium thereon shall be limited obligations of the Commission and shall be secured by and payable from the Trust Estate pledged and assigned to the Trustee by the Commission under the Indenture;

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that:

1. **Approval of the General Indenture.** The Commission hereby approves the General Indenture, a draft of which has been provided to the Commission, and the use thereof for purposes of carrying out the Program. The Executive Director is hereby authorized to approve the final provisions General Indenture.

2. **The Series Bonds; Approval of the Series Indentures and the Structure of the Series Bonds.** The Commission hereby authorizes the issuance of the Series Bonds in an aggregate principal amount not to exceed \$50,000,000 to finance the Series Purposes. The Series Bonds shall be issued pursuant to the terms of the General Indenture and pursuant to the terms of the Series Indentures, drafts of which have been provided to the Commission. The Commission hereby approves the current provisions of the Series Indentures and the structure of and the security for the Series Bonds set forth therein and in the Official Statement. The Executive Director is hereby authorized to approve the final provisions of the Series Indenture, the Preliminary Official Statement and the Official Statement prior to the issuance of the Series Bonds.

3. **Commission Documents.** The Chair, the Vice-Chair, the Chair Pro Tem and the Executive Director of the Commission are hereby authorized and directed to execute and deliver the Series Indenture, the Official Statement and any such other documents and agreements to be prepared in connection with the execution and delivery of the General Indenture and the issuance of the Series Bonds (the “Commission Documents”) in such forms as shall be prepared and approved by the Chair, the Vice Chair, the Chair Pro Tem or the Executive Director, the execution and delivery of the Commission Documents being conclusive evidence of such approval and of the approval of the Commission. The Secretary of the Commission, or any other Authorized Representative (defined below), is hereby authorized and directed to affix the seal of the Commission to the Commission Documents and to attest the same.

4. **Authorizing Ongoing Determinations under Commission Documents.** The Executive Director is hereby authorized, without further authority from the Board of Commissioners, to perform any act, to execute any documents, and to make any ongoing determinations as may be required to be made on behalf of the Commission from time to time, including, but not limited to, the determination of other terms to be in effect with respect to the Series Bonds as shall be set forth in the Commission Documents.

5. **Other Action.** The Chair or Vice Chair or Chair Pro Tem and the Executive Director of the Commission or a person designated by the Executive Director to act on his behalf (an “Authorized Representative”) are hereby authorized and directed to undertake any other actions necessary (i) for the issuance and sale of the Series Bonds, (ii) for the refunding and redemption of the Prior Bonds, (iii) for the performance of any and all actions required or contemplated under the General Indenture, the Series Indentures, the Official Statement and any other financing documents relating to the issuance of the Series Bonds, and (iv) for the entire period during which the Series Bonds are outstanding following the issuance thereof.

6. **Approval of Cost of Issuance.** The Commission approves the cost of issuance budget in an amount up to \$650,000 to be incurred by the Commission in connection with the issuance of the Series Bonds.

7. **Appointment of Financial Advisor and Bond Counsel; Appointment of Trustee.** Caine Mitter & Associates Incorporated is hereby appointed as Financial Advisor, and Kutak Rock LLP, Washington, D.C., is hereby appointed as Bond Counsel in connection with the issuance of the Series Bonds. The Executive Director is hereby authorized to appoint a Trustee for the Bonds as necessary to effectuate the transactions contemplated by the Indenture.

8. **Action Approved and Confirmed.** All acts and doings of the officers of the Commission which are in conformity with the purposes and intent of this resolution and in the furtherance of the issuance and sale of the Series Bonds, the refunding and redemption of the Prior Bonds and the reimbursement of capital expenditures previously incurred in connection with the Program approved hereby and the execution, delivery and performance of the Commission Documents authorized hereby are in all respects approved and confirmed.

10. **Severability.** If any provision of this resolution shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provision or cause any other provision to be invalid, inoperative or unenforceable to any extent whatsoever.

11. **Effective Date.** This resolution shall take effect immediately.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Memorandum of Understanding effective June 29, 2018 between the Commission and Montgomery County, Maryland (collectively, the "Act"), and is authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes, which include, without limitation, the construction, financing and operation of housing developments for persons of eligible income and the financing of mortgage loans for Montgomery County, Maryland first-time homebuyers; and

WHEREAS, the Commission intends to issue various series of Program Revenue Bonds under the General Trust Indenture originally adopted on July 10, 2019 (the "General Indenture"); and

WHEREAS, the General Indenture authorizes the Commission to issue its bonds, notes or other obligations from time to time (the "Bonds") pursuant to one or more series indentures in order to obtain funds to carry out the purposes and provisions of the Act, primarily by (i) funding residential projects and administrative facilities owned by the Commission, (ii) making, purchasing or financing of Loans (as defined in the General Indenture), including the payment, when due, of principal of and redemption premium, if any, and interest on the Bonds, and (iii) the financing or reimbursement of housing-related capital expenditures (collectively, the "Program"); and

WHEREAS, the Commission has determined to carry out the Program by issuing one or more series of its Program Revenue Bonds designated 2019 Series A, 2019 Series B and 2019 Series C, and with each subsequent series, if any, to follow in alphabetical order (collectively, the "Series Bonds") in a total aggregate principal amount not to exceed \$50,000,000, for purposes of (a) reimbursing the Commission for previously incurred capital expenditures; (b) refunding a series of bonds previously issued by the Commission (the "Prior Bonds"), the interest on which will not be subject to the federal alternative minimum tax; (c) refunding Prior Bonds, the interest on which will be subject to the federal alternative minimum tax; and (d) if necessary, funding reserves (collectively, the "Series Purposes"); and

WHEREAS, proceeds from the 2019 A Series Bonds shall reimburse the Commission for previously incurred capital expenditures, including funds used to finance a portion of the costs of Cider Mill Apartments, a multifamily development owned by the Commission, in an amount not to exceed \$30,000,000 (the "Reimbursement Proceeds"); and

WHEREAS, the Commission has determined that the Reimbursement Proceeds shall be deposited to the Commission’s General Fund for the purpose of funding any of the lawful purposes for which the Commission is authorized; and

WHEREAS, the Commission plans to pay debt services of the 2019 Series Bonds from the principal and interest payment related to single family mortgage loans financed by 2019 Series Bond C Bonds as well as excess single family mortgage loans held by the Commission.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Reimbursement Proceeds to be deposited in the Commission’s General Fund account held at PNC Bank, N.A. (“General Fund”).

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that, as of the date of issuance of the 2019 Series Bonds, the Commission hereby authorizes excess single family mortgage loans in the approximate principal amount of \$30,000,000 to be dedicated to the payment of debt service on the 2019 Series Bonds.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

RESOLUTION No.: 19-78c

RE: Authorization to Transfer Funds from the Commission's General Fund to the Mortgage Acquisition Account for the 2018 Single Family Mortgage Revenue Bonds within the 1979 Resolution for the Purpose of Originating New Single Family Mortgage Loans

WHEREAS, the Housing Opportunities Commission of Montgomery County (the "Commission") is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and the Memorandum of Understanding effective June 29, 2018 between the Commission and Montgomery County, Maryland (collectively, the "Act"), and is authorized thereby to issue its notes and bonds from time to time to fulfill its corporate purposes, which include, without limitation, the construction, financing and operation of housing developments for persons of eligible income and the financing of mortgage loans for Montgomery County, Maryland first-time homebuyers; and

WHEREAS, the Commission previously issued its 2018 Single Family Mortgage Revenue Bonds (the "2018 Bonds") under the 1979 Resolution for the purpose of originating new single family mortgage loans; and

WHEREAS, after temporarily investing the original proceeds of the 2018 Bonds, the Commission is transferring funds from the Commission's General Fund to the Acquisition Account of the 2018 Bonds as original proceeds of the 2018 Bonds; and

WHEREAS, the General Indenture authorizes the Commission to issue its bonds, notes or other obligations from time to time (the "Bonds") pursuant to one or more series indentures in order to obtain funds to carry out the purposes and provisions of the Act, primarily by the making, purchasing or financing of Loans (as defined in the General Indenture), including the payment, when due, of principal of and redemption premium, if any, and interest on the Bonds, and by the financing or reimbursement of housing-related capital expenditures (collectively, the "Program"); and

WHEREAS, the Commission has determined that the said original proceeds shall be made available to finance new first-time homebuyer single family mortgage loans, down payment and closing cost assistance and various cost related to origination.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the transfer of \$30,000,000 from the Commission's General Fund account held at PNC Bank, N.A. ("General Fund") to the Acquisition Account of the 2018 Bonds.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that said monies be transferred out of the General Fund and deposited into the Mortgage Acquisition Account for the 2018 Bonds within the 1979 Resolution held by the designated Trustee shall be made available to finance new single family mortgage loans, down payment and closing cost assistance and various cost related to such originations.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that it authorizes the Executive Director, or his duly appointed designee, without any further action on its part, to take any and all other actions necessary and proper to carry out the transaction and actions contemplated herein.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Future Action

New Business

**APPROVAL OF AN INCREASE TO THE RENOVATION BUDGET FOR 880 BONIFANT
AND AUTHORIZATION OF ADDITIONAL FUNDS TO COMPLETE THE
RENOVATIONS**

July 10, 2019

- The current HOC Customer Service Center that serves down county locations in Montgomery County is in a temporary location from which HOC is expected to vacate by August 1, 2019.
- In preparation for such move, the Commission authorized the Executive Director to execute a contract with Hooten Construction Company on April 3, 2019 with work commencing on April 10, 2019.
- Unanticipated conditions uncovered during the rehabilitation have increased the budget by approximately \$142,919.
- Staff recommends that the Commission approve an increase to the budget of up to \$150,000 as well as funding which will be reprogrammed from FY 2020 operating expenses for the property and allocated to fund the additional rehabilitation costs.

As a result of the aforementioned unanticipated costs, staff requests approval of an increase of the renovation budget in the amount up to \$150,000. Funding is proposed to come from budgeted FY 2020 property operating expenses that will not be needed and are sufficient to cover these unexpected project costs to allow continuity of the project, and more importantly to meet the completion date of July 29, 2019.

Lastly, over the course of the next three (3) weeks leading to project completion, expected work-in-place includes exterior improvements such as installation of the building cladding, windows, and entrance ramp along with interior finish and trades i.e. painting, flooring, and low-voltage electrical/IT infrastructure. It is staff's opinion that the proposed improvements are a value add to the facility and for the Commission that will result in greater future value at the time of disposition.

ISSUES FOR CONSIDERATION:

Does the Commission wish to approve an increase to the renovation budget for 880 Bonifant and authorize the additional funds to complete the renovations of up to \$150,000?

BUDGET IMPACT:

None. The source of funds is FY 2020 operating budget for the property which are not needed and will be reprogrammed to funds the increased renovation budget.

TIME FRAME:

For discussion and action at the meeting of the Commission on July 10, 2019.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Commission approve an increase to the renovation budget for 880 Bonifant of up to \$150,000 and that the source of funds for the increase shall be from FY 2020 budgeted operating expenses for the property that will no longer be needed.

RESOLUTION No.:19-81

RE: Authorization to Approve of an Increase to the Renovation Budget for 880 Bonifant and Authorization of Additional Funds to Complete the Renovations

WHEREAS, in furtherance of its mission to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County, Maryland, the Housing Opportunities Commission of Montgomery County (“HOC”) is in the process of renovating 880 Bonifant (the “Property”) to serve as the new Silver Spring Customer Service Center; and

WHEREAS, the Property, located at 880 Bonifant Street, Silver Spring, MD, consists of an existing 4-story 12,000 square foot office building on 3,720 square feet of land near the intersection of Bonifant and Fenton Streets in Silver Spring, MD; and

WHEREAS, the current HOC Customer Service Center that serves down county locations in Montgomery County is in a temporary location from which HOC is expected to vacate by August 1, 2019; and

WHEREAS, on May 2, 2018, the Commission approved funding up to \$4,500,000 from the County Revolving MPDU/PAF fund for the acquisition of the Property (the “Initial Funding”); and

WHEREAS, on August 20, 2018, the Commission completed the acquisition of the Property and proceeded with the design, entitlement, and procurement for a general contractor; and

WHEREAS, staff developed a scope of work with its architect, Karl Riedel Architecture, PC, to demolish existing partitions and finishes, fit out for new office spaces, improve the building’s façade, construct an accessible entry ramp, and other miscellaneous work; and

WHEREAS, the Commission authorized the Executive Director to execute a contract with Hooten Construction Company on April 3, 2019 with work commencing on April 10, 2019; and

WHEREAS, there are insufficient funds remaining in the initial funding to complete the renovation of the Property, and unanticipated conditions uncovered during the rehabilitation has increased the budget by approximately \$142,919; and

WHEREAS, staff recommends that the Commission approve an increase to the budget of up to \$150,000 as well as additional funding which will be reprogrammed from FY 2020 operating expenses for the Property and allocated to fund the additional rehabilitation costs.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County approves an increase to the Property's renovation budget by up to \$150,000 to be funded from reprogrammed FY2020 operating expenses for the Property.

BE IT FURTHER RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized and directed, without further action on its part, to take any and all other actions necessary and proper to carry out the transactions contemplated herein including, without limitation, the negotiation and execution of related documents.

I HEREBY CERTIFY that the foregoing resolution was approved by the Housing Opportunities Commission of Montgomery County at a regular meeting on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Commission

Adjourn

Development Corporation

Glenmont Crossing Development Corporation

APPROVAL TO TRANSFER GLENMONT CROSSING TO A SINGLE PURPOSE ENTITY AND TO DISSOLVE AND TERMINATE THE CORPORATION

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JENNIFER H. ARRINGTON
VICTORIA DIXON
LEN VILICIC
KATHRYN HOLLISTER

July 10, 2019



EXECUTIVE SUMMARY

On July 10, 2019 the Commission authorized the following actions :

- 1) Approval of a Permanent Financing Plan for the Glenmont Crossing transaction, which includes proceeds from the issuance of an up to \$14.1 million permanent, taxable loan from the FFB with credit enhancement by FHA under its Risk Sharing Agreement with HOC; the Corporation's \$2,850,000 subordinate County CDBG loan to be assumed by the new borrower; and, the Property's \$694,796 in existing reserves and \$851,000 in restricted cash on hand.
- 2) Approval to form a new limited liability corporation, named "Glenmont Crossing, LLC", to acquire the Property and execute an operating agreement.
- 3) Approval of the newly formed ownership entity to assume the remaining balance on the County CDBG loan in accordance with the County Note, dated April 17, 2013.
- 4) Authorization for HOC to issue a Financing Commitment to Glenmont Crossing, LLC for an FFB 40-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14.1 million with HOC assuming 50% of the risk.
- 5) Authorization to enter into a Participation Agreement with FFB to fund the permanent loan.

Based on the above mentioned actions, HOC staff has developed a Permanent Financing Plan for the Property, which includes creating a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the "SPE") for the purpose of acquiring the Property. In order to effectuate the Permanent Financing Plan, the Corporation desires to transfer the property at cost to the SPE. At the appropriate time after the transfer of the Property to the SPE, the Corporation desires to file for dissolution and termination.

Staff requests that the Board of Directors of the Glenmont Crossing Development Corporation approve the transfer of the Property to the SPE at cost and approve the dissolution and termination of the Corporation.

SUMMARY AND RECOMMENDATIONS

Issues for Consideration

Does the Board of Directors of Glenmont Crossing Development Corporation wish to approve the transfer of Glenmont Crossing to a single purpose entity, and dissolve and terminate the corporation?

Time Frame

Action at the July 10, 2019 meeting of the Glenmont Crossing Development Corporation.

Budget Impact

None.

Staff Recommendation & Board of Directors Action Needed

HOC staff recommends that the Board of Directors of Glenmont Crossing Development Corporation approve the transfer of Glenmont Crossing to a single purpose entity, and to dissolve and terminate the corporation.

GLENMONT CROSSING DEVELOPMENT CORPORATION

RESOLUTION NO.: 19-003_{GC}

RE: Approval to Transfer Glenmont Crossing to a Single Purpose Entity and to Dissolve and Terminate the Corporation

WHEREAS, the Glenmont Crossing Development Corporation (the “Corporation”) is a wholly-controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”);

WHEREAS, the Corporation owns the property known as “Glenmont Crossing,” a community consisting of 97 units in Silver Spring, Maryland (the “Property”), which was acquired by the Corporation on December 4, 2012;

WHEREAS, HOC staff has developed a Permanent Financing Plan for the Property, which includes creating a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the “SPE”) for the purpose of acquiring the Property;

WHEREAS, in order to effectuate the Permanent Financing Plan, the Corporation desires to transfer the property at cost to the SPE; and

WHEREAS, at an appropriate time after the transfer of the Property to the SPE, the Corporation desires to file for dissolution and termination.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Glenmont Crossing Development Corporation that it approves transferring the Property to the SPE at cost.

BE IT FURTHER RESOLVED by the Board of Directors of the Glenmont Crossing Development Corporation that at an appropriate time after the transfer of the Property to the SPE, it approves the dissolution and termination of the Corporation.

BE IT FURTHER RESOLVED by the Board of Directors of the Glenmont Crossing Development Corporation that the Commission’s Executive Director is authorized and directed, without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Crossing Development Corporation at a meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Board of Directors of

the Corporation

Glenmont Westerly Development Corporation

APPROVAL TO TRANSFER GLENMONT WESTERLY TO A SINGLE PURPOSE ENTITY AND TO DISSOLVE AND TERMINATE THE CORPORATION

STACY L. SPANN, EXECUTIVE DIRECTOR

KAYRINE V. BROWN
JENNIFER H. ARRINGTON
VICTORIA DIXON
LEN VILICIC
KATHRYN HOLLISTER

July 10, 2019



EXECUTIVE SUMMARY

On July 10, 2019 the Commission authorized the following actions :

- 1) Approved the Permanent Financing Plan Glenmont Westerly, which includes proceeds from the issuance of an up to \$14 million permanent, taxable loan from the FFB with mortgage insurance provided by FHA in accordance with its Risk Sharing Agreement with HOC; assumption of the Corporation's remaining \$ \$1,510,250 subordinate County HIF loan; and, the Property's \$1.5 million in existing reserves and \$911,767 in restricted cash.
- 2) Approved to form a new limited liability corporation, named "Glenmont Westerly, LLC", to acquire the Property, and execute an operating agreement.
- 3) Approved the newly formed ownership entity to assume the existing County HIF Loan in accordance with the County Note, dated June 27, 2013.
- 4) Authorized HOC to issue a Financing Commitment to Glenmont Westerly, LLC for an FFB 35-year, taxable mortgage loan, credit enhanced by FHA Risk Share in an amount of up to \$14 million with HOC assuming 50% of the risk.
- 5) Authorized HOC to enter into a Participation Agreement with FFB to fund the permanent loan.

Based on the above mentioned actions, HOC staff has developed a Permanent Financing Plan for the Property, which includes creating a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the "SPE") for the purpose of acquiring the Property. In order to effectuate the Permanent Financing Plan, the Corporation desires to transfer the property at cost to the SPE. At the appropriate time after the transfer of the Property to the SPE, the Corporation desires to file for dissolution and termination.

Staff requests that the Board of Directors of the Glenmont Westerly Development Corporation approve the transfer of the Property to the SPE at cost and approve the dissolution and termination of the Corporation.

SUMMARY AND RECOMMENDATIONS

Issues for Consideration

Does the Board of Directors of Glenmont Westerly Development Corporation wish to approve the transfer of Glenmont Westerly to a single purpose entity, and dissolve and terminate the corporation?

Time Frame

Action at the July 10, 2019 meeting of the Glenmont Westerly Development Corporation.

Budget Impact

None.

Staff Recommendation & Board of Directors Action Needed

HOC staff recommends that the Board of Directors of Glenmont Westerly Development Corporation approve the transfer of Glenmont Westerly to a single purpose entity, and to dissolve and terminate the corporation.

RESOLUTION NO.: 19-003_{GW}

RE: Approval to Transfer Glenmont Westerly to a Single Purpose Entity and to Dissolve and Terminate the Corporation

WHEREAS, the Glenmont Westerly Development Corporation (the “Corporation”) is a wholly-controlled corporate instrumentality of the Housing Opportunities Commission of Montgomery County (“HOC” or the “Commission”);

WHEREAS, the Corporation owns the property known as “Glenmont Westerly,” a community consisting of 102 units in Silver Spring, Maryland (the “Property”), which was acquired by the Corporation on December 4, 2012;

WHEREAS, HOC staff has developed a Permanent Financing Plan for the Property, which includes creating a single purpose entity (i.e. a limited liability corporation, wholly owned by HOC) (the “SPE”) for the purpose of acquiring the Property;

WHEREAS, in order to effectuate the Permanent Financing Plan, the Corporation desires to transfer the property at cost to the SPE; and

WHEREAS, at an appropriate time after the transfer of the Property to the SPE, the Corporation desires to file for dissolution and termination.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Glenmont Westerly Development Corporation that it approves transferring the Property to the SPE at cost.

BE IT FURTHER RESOLVED by the Board of Directors of the Glenmont Westerly Development Corporation that at an appropriate time after the transfer of the Property to the SPE, it approves the dissolution and termination of the Corporation.

BE IT FURTHER RESOLVED by the Board of Directors of the Glenmont Westerly Development Corporation that the Commission’s Executive Director is authorized and directed, without any further action on its part, to take any and all other actions necessary and proper to carry out the transactions and actions contemplated herein.

I, HEREBY, CERTIFY that the foregoing resolution was adopted by the Board of Directors of Glenmont Westerly Development Corporation at a meeting conducted on July 10, 2019.

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Patrice M. Birdsong
Special Assistant to the Board of Directors of
the Corporation

Adjourn

Administrative Session