NEW ISSUE - BOOK ENTRY ONLY

In the opinion of Ungaretti & Harris LLP and Hawkins, Delafield & Wood, Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which it is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the Offered Bond or a "related person", (ii) interest on the Offered Bonds is treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, and (iii) under the Illinois Housing Development Act, interest on the Offered Bonds is exempt from Illinois income tax. See "TAX MATTERS."

$27,135,000
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Housing Bonds, consisting of
$20,860,000 2003 Series A Bonds (AMT) (Northpoint Apartments) and
$6,275,000 2003 Series C Bonds (AMT) (Country Club Heights Apartments)

Dated: See inside cover **Due:** See inside cover

The 2003 Series A Bonds (AMT) (Northpoint Apartments) and the 2003 Series C Bonds (AMT) (Country Club Heights Apartments) (collectively, the "Offered Bonds") are issuable only in registered form. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository of the Offered Bonds and its nominee will be the registered owner of the Offered Bonds. Individual purchases of interests in the Offered Bonds must be in the principal amount of $5,000 or any integral multiple thereof and will be recorded on a book-entry only system operated by DTC. For further details on ownership, payments, notices and other matters under the book-entry only system, see "THE OFFERED BONDS – Book-Entry Only System" and "THE OFFERED BONDS – General Redemption Provisions."

The Offered Bonds will bear interest from their date of delivery, payable semiannually on each January 1 and July 1, with the first interest payment date being July 1, 2004. Principal of and premium, if any, and semiannual interest on the Offered Bonds (payable as provided on the inside cover) will be paid by J.P. Morgan Trust Company, National Association, Chicago, Illinois, as Master Paying Agent. LaSalle Bank National Association, Chicago, Illinois, serves as Trustee under the Indenture.

The Offered Bonds are subject to redemption prior to maturity, including special redemption at par without premium, as more fully described herein under the caption "THE OFFERED BONDS – Redemption."

Proceeds of the Offered Bonds will be used, together with certain other available moneys, to (a) make a Loan to finance the acquisition and redevelopment of a multi-family housing development located in Chicago, Illinois, and known as Northpoint Apartments, (b) refund the Country Club Bond (as defined herein), the proceeds of which will be used to finance the acquisition and redevelopment of a multi-family housing development located in Quincy, Illinois, (c) make a deposit to the Reserve Fund, (d) make a deposit to the Debt Service Account for capitalized interest, and (e) pay certain costs incurred in connection with the issuance of Offered Bonds (including the premium for the Bond Insurance policy and the premium for the Debt Service Reserve Fund Surety Bond). See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Offered Bonds are general obligations of the Authority. The full faith and credit of the Authority (subject to the provisions of resolutions pledging particular moneys, assets or revenues to the payment of notes, bonds or other obligations other than the Offered Bonds) is pledged for payment of the principal and premium, if any, of and interest and Sinking Fund Installments on the Offered Bonds. The Offered Bonds are also secured by a pledge of the Trust Estate established under the Indenture, including Revenues, Funds and Accounts established under the Indenture and Series Supplemental Indentures (other than the Acquired Development Fund), Acquired Bonds, rights in Loans and security for the rights in Loans which rights are part of the Trust Estate, in each case solely to the extent such items are subject to the pledge, assignment, lien and security interest as provided in the Indenture. A Series Supplemental Indenture for a Series of Additional Bonds will specify whether such Additional Bonds will be the general obligation of the Authority and whether they will be secured on a parity basis with the Offered Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Payment of the principal of and interest on each series of the Offered Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Offered Bonds by MBIA Insurance Corporation.

MBIA

The Offered Bonds are not a debt of or guaranteed by the State of Illinois or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that Section 26.1 of the Act, as amended, which requires the Governor to submit to the General Assembly the amount certified by the Authority as being required to pay debt service on its bonds because of insufficient moneys available for such payments, shall not apply to the Offered Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Offered Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Ungaretti & Harris LLP, Chicago, Illinois, and Hawkins, Delafield & Wood, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by its General Counsel, Mary R. Kenney, Esq., and by its counsel, Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, and for the Underwriter by its counsel, Bell, Boyd & Lloyd LLC, Chicago, Illinois. See "LEGAL MATTERS." It is expected that the Offered Bonds will be available for delivery to DTC in New York, New York, on or about December 30, 2003.

UBS Financial Services Inc.

The date of this Official Statement is December 19, 2003.

$27,135,000
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Housing Bonds, consisting of
$20,860,000 2003 Series A Bonds (AMT) (Northpoint Apartments) and
$6,275,000 2003 Series C Bonds (AMT) (Country Club Heights Apartments)

Dated: Date of Delivery, expected to be December 30, 2003

2003 Series A Bonds (AMT)

MATURITY SCHEDULES

Maturity	Amount	Interest Rate	Maturity	Amount	Interest Rate
January 1, 2008	$ 210,000	3.20%	July 1, 2011	$ 240,000	4.00%
July 1, 2008	210,000	3.30	January 1, 2012	240,000	4.10
January 1, 2009	210,000	3.50	July 1, 2012	250,000	4.10
July 1, 2009	215,000	3.50	January 1, 2013	250,000	4.20
January 1, 2010	225,000	3.75	July 1, 2013	270,000	4.20
July 1, 2010	230,000	3.75	January 1, 2014	135,000	4.30
January 1, 2011	230,000	4.00	July 1, 2014	95,000	4.30

$1,075,000 2.55% Term Bonds due July 1, 2007
$2,470,000 4.85% Term Bonds due July 1, 2024 **NOT REOFFERED**
$1,880,000 4.90% Term Bonds due July 1, 2029 **NOT REOFFERED**
$2,515,000 4.95% Term Bonds due July 1, 2034 **NOT REOFFERED**
$3,380,000 5.00% Term Bonds due July 1, 2039 **NOT REOFFERED**
$6,530,000 5.05% Term Bonds due January 1, 2046 **NOT REOFFERED**

Price of all 2003 Series A Bonds 100%

2003 Series C Bonds (AMT)

MATURITY SCHEDULES

Maturity	Amount	Interest Rate
July 1, 2004	$ 105,000	1.55%
January 1, 2005	115,000	1.85
July 1, 2005	115,000	2.05
January 1, 2006	115,000	2.65
July 1, 2006	120,000	2.75
January 1, 2007	125,000	2.95
July 1, 2007	125,000	3.05
January 1, 2008	130,000	3.20
July 1, 2008	130,000	3.30
January 1, 2009	140,000	3.50
July 1, 2009	140,000	3.50

Maturity	Amount	Interest Rate
January 1, 2010	$ 140,000	3.75%
July 1, 2010	140,000	3.75
January 1, 2011	145,000	4.00
July 1, 2011	150,000	4.00
January 1, 2012	150,000	4.10
July 1, 2012	150,000	4.10
January 1, 2013	155,000	4.20
July 1, 2013	160,000	4.20
January 1, 2014	165,000	4.30
July 1, 2014	165,000	4.30

$1,525,000 4.85% Term Bonds due July 1, 2024 **NOT REOFFERED**
$860,000 4.90% Term Bonds due July 1, 2029 **NOT REOFFERED**
$1,010,000 4.95% Term Bonds due July 1, 2034 **NOT REOFFERED**

Price of all 2003 Series C Bonds 100%

No person has been authorized by the Authority to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriter of the Offered Bonds. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date as of which information is given in this Official Statement.

TABLE OF CONTENTS

THE OFFERED BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS RELATING TO THE OFFERED BONDS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE OFFERED BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE OFFERED BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE OFFERED BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE OFFERED BONDS (OTHER THAN THE 2003 SERIES A BONDS MATURING JULY 1, 2024, THE 2003 SERIES A BONDS MATURING JULY 1, 2029, THE 2003 SERIES A BONDS MATURING JULY 1, 2034, THE 2003 SERIES A BONDS MATURING JULY 1, 2039, THE 2003 SERIES A BONDS MATURING JANUARY 1, 2046 AND THE SERIES 2003 C BONDS MATURING JULY 1, 2024, THE SERIES 2003 C BONDS MATURING JULY 1, 2029, AND THE SERIES 2003 C BONDS MATURING JULY 1, 2034 (THE "PLACED BONDS")), THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THOSE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

THE UNDERWRITERS INTEND TO ENGAGE IN SECONDARY MARKET TRADING IN THE OFFERED BONDS (OTHER THAN THE PLACED BONDS), SUBJECT TO APPLICABLE SECURITY LAWS. THE UNDERWRITERS, HOWEVER, ARE NOT OBLIGATED TO REPURCHASE ANY OF THOSE BONDS AT THE REQUEST OF ANY OWNER THEREOF. FOR INFORMATION WITH RESPECT TO THE UNDERWRITERS, SEE "UNDERWRITING."

OFFICIAL STATEMENT
of
ILLINOIS HOUSING DEVELOPMENT AUTHORITY

Relating to

$27,135,000
ILLINOIS HOUSING DEVELOPMENT AUTHORITY
Housing Bonds, consisting of
$20,860,000 2003 Series A Bonds (AMT) (Northpoint Apartments) and
$6,275,000 2003 Series C Bonds (AMT) (Country Club Heights Apartments)

INTRODUCTION

This Official Statement (including the cover page and appendices) is being distributed by the Illinois Housing Development Authority (the "Authority") in order to furnish information in connection with the issuance by the Authority of its $27,135,000 Housing Bonds, consisting of the $20,860,000 2003 Series A Bonds (AMT) (Northpoint Apartments) (the "2003 Series A Bonds") and the $6,275,000 2003 Series C Bonds (AMT) (Country Club Heights Apartments) (the "2003 Series C Bonds" and, together with the 2003 Series A Bonds, the "Offered Bonds"). The Offered Bonds are being issued by the Authority pursuant to the Illinois Housing Development Act, as amended (the "Act").

The Offered Bonds are being issued under a Trust Indenture dated as of March 1, 1999 (the "Indenture") between the Authority and LaSalle Bank National Association, Chicago, Illinois (the "Trustee"), as Trustee, and, with respect to the 2003 Series A Bonds, a Series Supplemental Indenture dated as of December 1, 2003 (the "2003 Series A Supplemental Indenture") and, with respect to the 2003 Series C Bonds, a Series Supplemental Indenture dated as of December 1, 2003 (the "2003 Series C Supplemental Indenture" and, together with the 2003 Series A Supplemental Indenture, the "Offered Bonds Supplemental Indenture"). Initially capitalized terms used but not otherwise defined in this Official Statement have the same meanings given them in the "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Certain Definitions."

The Indenture permits the Authority to undertake a variety of financings, including the financing or refinancing of multi-family developments and single family dwellings. Financings may be accomplished by making any loans that the Authority is authorized by law to make, by acquiring other bonds of the Authority which in turn financed or refinanced loans made by the Authority, or by refunding outstanding bonds of the Authority and acquiring the loans that had been financed by the refunded bonds. Multi-family developments financed directly or indirectly under the Program are referred to as Financed Developments.

The Offered Bonds are being issued for the following purposes:

- To make a Loan (as defined herein) to finance the acquisition and redevelopment of a multi-family housing development located in Chicago, Illinois, and known as Northpoint Apartments ("Northpoint"). Northpoint is a development that is currently financed with a mortgage loan made with a portion of the proceeds of multiple series of the Authority's Multi-Family Housing Bonds.

- To refund a bond to be co-issued by the Authority and the City of Quincy, Illinois (the "Country Club Bonds"), the proceeds of which will be used to finance the acquisition and redevelopment of a multi-family housing development located in Quincy, Illinois, and known as Country Club Heights Apartments ("Country Club"). Country Club is a Financed Development that was previously financed with a Loan made with proceeds of a series of Prior Bonds.

For further information on the use of proceeds of the Offered Bonds, see "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Authority also recently issued its 2003 Series B Housing Bonds. Proceeds of those Bonds were used for the following purposes:

- To refund all of the Authority's 1993 Series A Housing Development Bonds (the "Refunded HDB Bonds"), $49,365,000 aggregate principal amount outstanding as of September 30, 2003. In connection with the refunding of the Refunded HDB Bonds, the remaining mortgage loans associated with those bonds were transferred to and pledged under the Indenture as Loans, and the associated developments became Financed Developments.

- To refund all of the Authority's 1984 Series A and 1984 Series D Fixed Rate Housing Bonds (the "Refunded FRHB Bonds"), $10,200,000 aggregate principal amount outstanding as of September 30, 2003. In connection with the refunding of the Refunded FRHB Bonds, the remaining mortgage loans associated with those bonds were transferred to and pledged under the Indenture as Loans, and the associated developments became Financed Developments.

- To make an additional Loan to an existing Financed Development known as Cumberland Green ("Cumberland"). This Loan, in an aggregate principal amount of approximately $1,655,000, will be made with funds transferred to the Indenture as a result of refunding the Refunded HDB Bonds.

In connection with the issuance of the 2003 Series B Bonds, the Authority redeemed all Acquired Bonds then held under the Indenture in exchange for the related mortgage loans, which were be transferred to and pledged under the Indenture as Loans, and the associated developments became Financed Developments. See "PLAN OF FINANCE."

The Authority has previously issued $68,550,000 aggregate original principal amount of bonds under the Indenture, and $39,070,000 aggregate principal amount were outstanding as of September 30, 2003 (the "Prior Bonds"). The Offered Bonds are being issued on a parity basis with the Prior Bonds. The Prior Bonds, the Offered Bonds and all other bonds hereafter issued under the Indenture are referred to herein as the "Bonds." Additional Bonds (the "Additional Bonds"), which may be secured by security in addition to the security for the Offered Bonds, may be issued by the Authority for purposes, upon the terms and subject to the conditions provided in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

As further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," the Offered Bonds are general obligations of the Authority. The full faith and credit of the Authority (subject to the provisions of resolutions pledging particular moneys, assets or revenues to the payment of notes, bonds or other obligations other than the Offered Bonds) is pledged for payment of the principal and Redemption Price, if any, of and interest and Sinking Fund Installments on the Offered Bonds. The Offered Bonds are also secured on a parity basis with the Prior Bonds by a pledge of the Trust Estate established under the Indenture, including Revenues, Funds and Accounts established under the Indenture and Series Supplemental Indentures (other than the Acquired Development Fund), Acquired Bonds, rights in Loans and security for the rights in Loans which rights are part of the Trust Estate, in each case solely to the extent such items are subject to the pledge, assignment, lien and security interest as provided in the Indenture. A Series Supplemental Indenture for a Series of Additional Bonds will specify whether such Additional Bonds will be the general obligation of the Authority and whether they will be secured on a parity basis with the Offered Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Payment of the principal of and interest on each series of the Offered Bonds when due will be insured by a financial guaranty insurance policy (the "Bond Insurance Policy") to be issued simultaneously with the delivery of the Offered Bonds by MBIA Insurance Corporation (the "Bond Insurer" or "MBIA"). For a description of certain provisions of the Bond Insurance Policy and for certain information concerning the Bond Insurer, see "THE BOND INSURANCE POLICY," "FORM OF BOND INSURANCE POLICY" attached as Appendix F and "FORM OF DEBT SERVICE RESERVE FUND SURETY BOND POLICY" attached as Appendix G.

The Offered Bonds are not a debt of or guaranteed by the State of Illinois (the "State") or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that Section 26.1 of the Act, as amended, which requires the Governor to submit to the General Assembly the amount certified by the Authority as being required to pay debt service on its bonds because of insufficient moneys available for such payments, shall not apply to the Offered Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document.

PLAN OF FINANCE

Proceeds of the Offered Bonds will be used, together with certain other available moneys, to (a) make a Loan to finance the acquisition and redevelopment of a multi-family housing development located in Chicago, Illinois, and known as Northpoint Apartments, (b) refund the Country Club Bond, the proceeds of which will be used to finance the acquisition and redevelopment of a multi-family housing development located in Quincy, Illinois, and known as

Country Club Heights Apartments, (c) make a deposit to the Reserve Fund, (d) make a deposit to the Debt Service Account for capitalized interest, and (e) pay certain costs incurred in connection with the issuance of Offered Bonds (including the premium for the Bond Insurance policy and the premium for the Debt Service Reserve Fund Surety Bond). See "SOURCES AND USES OF FUNDS."

Northpoint Loan

The Offered Bonds are being issued to finance the acquisition and redevelopment of a Financed Development known as Northpoint Apartments, located in Chicago, Illinois See "FINANCED DEVELOPMENTS – Description of Financed Developments." Northpoint will be financed by making a Loan in the principal amount of $20,155,000 with proceeds of the Offered Bonds.

A portion of the proceeds of the Loan will be used to prepay an existing mortgage loan made with a portion of the proceeds of the Authority's 1982 Series C Bonds, 1991 Series A Bonds, 1992 Series A Bonds, and 1995 Series A Bonds previously issued under the Authority's Multi-Family Housing Bond Resolution, adopted February 26, 1975, as amended and supplemented, and a series resolution adopted pursuant thereto. Amounts received upon the prepayment of that existing mortgage loan will be used to redeem a portion of those bonds.

The Loan for this Financed Development will be evidenced and secured by a note, a first mortgage, security agreement and assignment of rents and leases, a regulatory agreement, UCC financing statements, an environmental indemnity agreement and other security agreements. The Loan will be in an amount not to exceed $24,000,000. The Loan will bear interest at 6.053 percent per annum for the first 108 months, and thereafter at 6.07 percent per annum.[†] The maturity date will be October 1, 2045. The borrower must also pay to the Authority an annual loan servicing fee of 0.25 percent of the outstanding principal amount of the Loan, payable in equal monthly installments. The Loan will be nonrecourse. The Loan documents will require a Replacement Reserve Account and a Tax and Insurance Fund. These accounts and funds will be held by the Authority and are not pledged under the Indenture.

The Loan is not prepayable without the consent of the Authority, in whole or in part, until September 1, 2015. After that date, the Loan will be prepayable in whole but not in part, upon 40 days written notice to the Authority. In the event of a prepayment, the borrower will be obligated to pay, in addition to the principal amount of the Loan remaining unpaid, other costs of the Authority associated with financing the Loan, which may include the following: (i) a proportionate share of the principal amount of the Offered Bonds issued for the purpose of paying issuance costs and making deposits in the Reserve Fund, (ii) the interest to accrue on all Offered Bonds to be redeemed by the Authority in connection with such prepayment, (iii) the

---

[†] This interest rate is a composite rate based upon two notes, one of which bears interest only at 6.07 percent with respect to $17,575,000 in principal amount, and commences amortization on November 1, 2005 for 40 years with a final maturity date of October 1, 2045, and the other of which bears interest at 5.5 percent with respect to $2,580,000 in principal amount and commences amortization on February 1, 2004 for 9 years with a final maturity date of January 1, 2013.

redemption premium, if any, on the Offered Bonds to be redeemed, and (iv) the costs and expenses of the Authority in effecting the redemption of the Offered Bonds to be redeemed.

The regulatory agreement requires 97 percent of the units in this Financed Development be rented to individuals or families whose income is less than or equal to 60 percent of the median family income of the metropolitan statistical area encompassing the Financed Development.

The Authority has executed a conditional commitment letter for the Northpoint Loan (the "Northpoint Commitment").

As described below under the caption "THE OFFERED BONDS – Redemption – Special Redemption," the 2003 Series A Bonds are subject to redemption as a result of a failure to make, in whole or in part, the Loan to Northpoint, such as, for example, because conditions to funding the Northpoint Loan are not met as described above.

Country Club Bonds

The Offered Bonds are being issued to finance the acquisition and redevelopment of a Financed Development known as Country Club Heights Apartments, located in Quincy, Illinois. Country Club will be financed by using proceeds of the Offered Bonds to refund the Country Club Bonds. The Country Club Bonds consist of the $6,275,000 aggregate principal amount of Illinois Housing Development Authority and City of Quincy, Illinois Multi-Family Housing Revenue Bonds, Series 2003. Upon the refunding of the Country Club Bonds, Country Club will be a Financed Development under the Indenture, and the related mortgage loan will be a Loan that is pledged under the Indenture.

Country Club is currently a Financed Development under the Indenture. It was financed with a Loan made with proceeds of the 1999 Series A Bonds. As a result of the issuance and refunding of the Country Club Bonds as described above, the 1999 Series A Bonds associated with the original loan will be redeemed in accordance with the Series Supplemental Indenture related to the 1999 Series A Bonds.

The Loan for this Financed Development will be evidenced and secured by a note, a first mortgage, security agreement and assignment of rents and leases, a regulatory agreement, UCC financing statements, an environmental indemnity agreement and other security agreements. The Loan will be in an amount not to exceed $6,900,000. The Loan will bear interest at 4.927 percent per annum for the first 140 months, and thereafter at 5.14 percent per annum.[†] The maturity date will be January 1, 2034. The borrower must also pay to the Authority an annual loan servicing fee of 0.25 percent of the outstanding principal amount of the Loan, payable in equal monthly installments. The Loan will be nonrecourse. The Loan documents will require a

[†] This interest rate is a composite rate based upon two notes, one of which bears interest only at 5.14 percent with respect to $3,875,000 in principal amount, and commences amortization on February 1, 2004 for 30 years with a final maturity date of January 1, 2034, and the other of which bears interest at 4.40 percent with respect to $2,400,000 in principal amount and commences amortization on February 1, 2004 for 11.6 years with a final maturity date of September 1, 2015.

Replacement Reserve Account and a Tax and Insurance Fund. These accounts and funds will be held by the Authority and are not pledged under the Indenture.

The Loan is not prepayable without the consent of the Authority, in whole or in part, until September 1, 2015. After that date, the Loan will be prepayable in whole but not in part, upon 40 days written notice to the Authority. In the event of a prepayment, the borrower will be obligated to pay, in addition to the principal amount of the Loan remaining unpaid, other costs of the Authority associated with financing the Loan, which may include the following: (i) a proportionate share of the principal amount of the Offered Bonds issued for the purpose of paying issuance costs and making deposits in the Reserve Fund, (ii) the interest to accrue on all Offered Bonds to be redeemed by the Authority in connection with such prepayment, (iii) the redemption premium, if any, on the Offered Bonds to be redeemed, and (iv) the costs and expenses of the Authority in effecting the redemption of the Offered Bonds to be redeemed.

The regulatory agreement requires 87.5 percent of the units in this Financed Development be rented to individuals or families whose income is less than or equal to 60 percent of the median family income of the metropolitan statistical area encompassing the Financed Development.

The Authority has executed a conditional commitment letter for the Loan to Country Club (the "Country Club Commitment"). The loan documents for the Loan to Country Club are still being negotiated and are not final. The Authority anticipates closing the Country Club Loan prior to December 30, 2003.

As described below under the caption "THE OFFERED BONDS – Redemption – Special Redemption," the 2003 Series C Bonds are subject to redemption as a result of a failure to make, in whole or in part, the Loan to Country Club, such as, for example, because conditions to funding the Country Club Loan are not met as described above.

Assumptions

The interest rates, maturities and the payment dates for the Offered Bonds were established by the Authority in order that payments expected to be received under the Loans and other moneys and securities held under the Indenture and the income expected to be received thereon, will be sufficient to pay, when due, the debt service on and Expenses attributable to the Offered Bonds. In forming this expectation, the Authority has not considered the issuance of Additional Bonds or the application or investment of the proceeds thereof; however, a condition to issuing such Additional Bonds is the filing of a Cash Flow Certificate accompanied by a Rating Certificate. Because all Bonds issued under the Indenture (other than Subordinate Bonds) will rank equally and ratably with the Offered Bonds with respect to the security afforded by the Indenture, availability of money for repayment of the Offered Bonds could be significantly affected by the issuance, application, and investment of proceeds of Additional Bonds.

The maturities and Sinking Fund Installments of the Offered Bonds were established based on the assumption that (a) there would be no Loan Prepayments, Acquired Bonds Redemption Receipts or Recovery Payments related to Northpoint, Country Club or other Financed Developments, and (b) that surplus Revenues comprising regularly scheduled principal payments on certain Loans would be used to make other Loans or acquire Acquired Bonds. However, (i) the Authority may receive Loan Prepayments, Acquired Bonds Redemption Receipts and Recovery Payments related to Northpoint, Country Club and other Financed Developments, and (ii) the Authority is not obligated to recycle such surplus Revenues by making other Loans or acquiring Acquired Bonds. As mentioned below under the caption "THE OFFERED BONDS – Redemption – Special Redemption," Loan Prepayments, Acquired Bonds Redemption Receipts, Recovery Payments, and surplus Revenues may be used to redeem Bonds of any Series. Consequently, to the extent they are so used to redeem Offered Bonds, the average life of an Offered Bond may be significantly shorter than its stated maturity.

For a description of the circumstances under which the Authority may change the assumptions described herein, see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Rating Certificates, Compliance Certificates and Cash Flow Certificates."

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds (net of accrued interest) in connection with the issuance of the Offered Bonds are as follows:

Sources

Offered Bond Proceeds	$ 27,135,000
Other Sources [1]	1,790,568
Total Sources	$ 28,925,568

Uses

Northpoint Loan	$ 20,155,000
Refund Country Club Bonds	6,275,000
Deposit to Reserve Fund [2]	965,000
Deposit to Debt Service Account for Capitalized Interest	171,046
Costs of Issuance	777,025
Underwriter's Fee [3]	582,497
Total Uses	$ 28,925,568

1. Other sources include borrower's equity and Authority contribution including the value of the Debt Service Reserve Fund Surety Bond.
2. $260,000 is attributable to the value of the Debt Service Reserve Fund Surety Bond.
3. Includes $332,000 for the premium for the Bond Insurance Policy, the premium for the Debt Service Reserve Fund Surety Bond and Bond Insurer's counsel fee that is being paid for by the Underwriter.

THE AUTHORITY

Powers and Duties

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

The Authority has the power under the Act to have up to $3,600,000,000 of bonds and notes outstanding, excluding those issued to refund its outstanding bonds and notes. As of September 30, 2003, the Authority has debt outstanding in the amount of $1,998,454,246, which consists of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for $284,263,900 of that total.

Multi-Family Housing Experience

The Authority has significant experience in the underwriting and servicing of multi-family mortgage loans. In its more than 30 years of operation, the Authority has financed over 200 multi-family developments throughout the State under several separate multi-family bond programs, excluding single project financings. Total loans and other assets outstanding under these programs as of June 30, 2003, were approximately $1 billion.

The Authority is an FHA-Approved Mortgagee and is also an approved Seller/Servicer under the Fannie Mae Prior Approval Program. The Authority also serves as the State's administering agency for the Low Income Housing Tax Credit. As of September 30, 2003, the Authority's Multi-Family Programs and Technical Services Departments employed 56 people with a variety of skills in multi-family loan underwriting, market research, construction management, and subsidy contract administration, and its Asset Management Services Department employed 26 people in areas of asset management and other aspects of loan servicing.

Membership

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

TERRY E. NEWMAN, Chairman – Partner, Katten Muchin Zavis & Rosenman

GERALD SINCLAIR, Vice Chairman – Owner, Sinclair Investment Co.

ROBERT BARKER, Treasurer – President, Barker Brothers, Inc.

VELMA BUTLER, Secretary – Managing Partner, Velma Butler & Company, LTD.

JUDITH ANN DEANGELO, Member – President, JADE Carpentry Contractors, Inc.

RONALD J. GROTOVSKY, Member – Director, Will County Land Use Department

A. GEORGE HOVANEC, Member – Administrator, Medicaid Programs, Illinois Department of Public Aid

RICHARD KORDESH, Member – President, The Nucleus Community Institute

A.D. VAN METER, JR., Member – Chairman Emeritus, National City Bank-Michigan/Illinois

Management

The Authority employs a staff of approximately 200 persons, including persons who have experience and responsibilities in the areas of finance, accounting, law, mortgage loan underwriting, loan servicing, housing development, market analysis, construction, housing marketing and housing management. Certain members of the senior staff of the Authority are listed below.

KELLY KING DIBBLE, Executive Director, has extensive public and private real estate experience. As a deputy commissioner for the Chicago Department of Planning and Development, Ms. Dibble created initiatives to stimulate the residential and commercial development on the city's near west and south sides. In the private sector, Ms. Dibble was a director of Chicago's Hyatt Development Corp. from 1995 to 2000, providing analysis and project leadership. For the next two years, she was vice president of business development for Rezmar Corp. of Chicago, specializing in hotel and commercial project development. Before graduating in 1985 from Harvard Law School, Ms. Dibble launched her long-standing interest in affordable housing and community development as president of the Harvard Real Estate and Urban Development Forum. Earlier, she earned a B.A. in economics from Wellesley College in 1982.

LAURA GERARD HASSAN, Deputy Executive Director, has significant private and public real estate experience. She practiced real estate law at Rudnick & Wolfe (now Piper Rudnick) from 1977 to 1992 and again from 1995 to 1998. From 1992 to 1994, Ms. Hassan expanded her experience outside of law as Deputy for Community Development in the Department of Planning and Development for the City of Chicago. Ms. Hassan returned to legal practice from August, 1998 to October, 2003 as Vice President-Legal at Equity Office Properties Trust, the largest office real estate investment trust in the United States. Ms. Hassan has participated in a number of boards, including serving on the City of Chicago's Community Development Commission since 1995. Ms. Hassan graduated from the University of Chicago Law School in 1977.

JANE R. BILGER, Assistant Executive Director and Chief of Staff, joined the Authority in 2003. Ms. Bilger has held various management positions in public and community development finance, including Director of Finance and Lending for the Illinois Facilities Fund, a statewide community development financial institution, Deputy Commissioner for Program Development for the City of Chicago Department of Housing, Vice President, Public Finance for W.H. Newbold's/American Capital Group and as Assistant Director-Program Coordination/Neighborhood Program Coordinator in Philadelphia, Pennsylvania. Ms. Bilger has a Bachelor of Arts degree in Urban Studies from the University of Pennsylvania.

ROBERT W. KUGEL, Chief Financial Officer, Assistant Treasurer and Assistant Executive Director, has served as Chief Financial Officer of the Authority since 1983. He has been with the Authority since 1975. Previously, he served as finance manager of Telco Marketing Services Inc. for three years and of a division of The Greyhound Corporation for four years. Mr. Kugel holds a Juris Doctor degree from John Marshall Law School, a Master of Business Administration degree from Loyola University of Chicago and a Bachelor of Science degree from Northern Illinois University.

MARY R. KENNEY, General Counsel, returned to the Authority in August 2000. She previously served as an administrator of the Authority's Portfolio Administration Department from 1988 through 1991 and earned her law degree from Loyola University of Chicago. After law school, she joined the Chicago law firm of Johnson & Bell in 1994 where she specialized in commercial litigation. Ms. Kenney has argued before various appellate courts and has participated in all phases of litigation at the trial court level. She also holds a Bachelor of Science degree in finance from DePaul University, where she concentrated in real estate and graduated with honors.

LINDA THURMOND, Assistant to the Executive Director for Multifamily Programs has been the Authority's Director of Asset Management Services since January 1999. In September

2003, she took on the added responsibilities for Multifamily Programs as part of the Authority's business reorganization. She has a Masters in Management degree from the Kellogg School of Business at Northwestern University. Her previous experience includes asset management and loan servicing for Community Investment Corporation (CIC) as well as investment banking and loan securitization with AM&G Financial Services, Bankers Trust, and Oppenheimer & Company.

JAMES J. KREGOR, Controller, joined the Authority in December 1985. Prior to that time he served as International Financial Manager of Baker & McKenzie for three years and in various management positions with Northwest Industries, Inc. for eight years. A Certified Public Accountant, Mr. Kregor holds a Master of Business Administration degree from Northern Illinois University and a Bachelor of Business degree from Western Illinois University.

The offices of the Authority are located at 401 North Michigan Avenue, Suite 900, Chicago, Illinois 60611. The telephone number of the Authority is (312) 836-5200.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Offered Bonds are general obligations of the Authority. The full faith and credit of the Authority, subject to the provisions of resolutions pledging particular moneys, assets or revenues to the payment of notes, bonds or other obligations other than the Offered Bonds, is pledged for payment of the principal and Redemption Price, if any, of and interest and Sinking Fund Installments on the Offered Bonds.

Resolutions of the Authority which authorize the issuance of the Authority's outstanding bonds and notes (other than the Offered Bonds) pledge the revenues, assets and moneys of the Authority with respect to the developments and mortgage loans financed by those obligations to the payment of those obligations, and such revenues, assets and moneys are not available for the payment of the Bonds. The full faith and credit of the Authority are also pledged for payment of many other outstanding notes, bonds and other obligations of the Authority. See "OTHER PROGRAMS" and Note F to the Financial Statements contained in Appendix A. Amounts in the Authority's Administrative Fund (exclusive of sums held in escrow) are subject to the pledge of the Authority's full faith and credit for its various obligations. Except as may be limited by the Act, the Authority may use amounts in the Authority Administrative Fund for any lawful purpose and may pledge all or any portion of those funds with priority over the Bonds. See "FINANCIAL STATEMENTS" in Appendix A.

The Offered Bonds are also secured on a parity basis by a pledge of the Trust Estate established under the Indenture, including Revenues, Funds and Accounts established under the Indenture and Series Supplemental Indentures (other than the Acquired Development Fund) and all deposits and investments of those Funds and Accounts, Acquired Bonds, rights of the Authority to the payment of amounts in connection with Loans to the extent the payments would be included in Revenues, including, to the extent they may be so pledged, any right to governmental subsidies payable to the Authority to be used to pay principal of or interest on

Loans, and also security for the pledged rights in Loans including, without limitation, mortgages, assignments of rents and other security interests and agreements, in each case to the extent subject to the pledge, assignment, lien and security interest provided in the Indenture.

A Series Supplemental Indenture for a Series of Additional Bonds will specify whether such Additional Bonds will be the general obligation of the Authority and whether they will be Subordinate Bonds (as defined herein) or secured by the Trust Estate on a parity basis with the Offered Bonds.

The Offered Bonds are not a debt of or guaranteed by the State or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that Section 26.1 of the Act, as amended, which requires the Governor to submit to the General Assembly the amount certified by the Authority as being required to pay debt service on its bonds because of insufficient moneys available for such payments, shall not apply to the Offered Bonds.

The Act provides that any pledge, assignment, lien or security interest made pursuant to the Act, which includes the pledge and security interest made pursuant to the Indenture and any Series Supplemental Indenture, shall be valid and binding and immediately effective upon its being made or granted without any physical delivery, filing, recording or further act. The pledge, assignment, lien and security interest shall be valid and binding as against, and shall be superior to any claims of any others having claims of any kind against the Authority or any other person, irrespective of whether such other parties have notice of the pledge, assignment, lien or security interest.

Except for the issuance of Bonds pursuant to the Indenture, the Authority has covenanted that it shall not make or grant any pledge, assignment, lien or security interest in any of the Trust Estate which is senior to or on a parity with the security provided by the Indenture. Except with respect to Subordinate Bonds, and except as expressly provided in or pursuant to the Indenture, all security for the Bonds under the Indenture shall be for the equal and proportionate benefit of the obligations of the Authority on all Bonds. Nonetheless, the Authority may issue a Series of Bonds which may be secured by a credit facility or a bond insurance policy securing only such Series of Bonds or a portion of such Series of Bonds as determined by the applicable Series Supplemental Indenture.

Revenues

Under the Indenture, "Revenues" means all money received by or on behalf of the Authority or the Trustee representing (i) principal and interest and related payments on Acquired Bonds and Loans, payments of service and other fees or charges to the Authority with respect to Loans, payments on Loans to reimburse the Authority for costs of issuance of Bonds (or other costs of the Authority with respect to Bonds payable from the Revenue Fund) and also including, without limitation, Loan Prepayments, Acquired Bond Redemption Receipts and Recovery Payments; (ii) Acquired Development Operating Income; (iii) Insurance Proceeds; (iv) Proceeds; (v) any Derivative Payments by a counterparty with respect to a Series of Bonds to the extent the related Series Supplemental Indenture provides for those Derivative Payments to be included in Revenues; and (vi) subject to certain limitations contained in the Indenture, interest and other investment earnings received on the investment of amounts in any Account or Fund (other than the Acquired

Development Fund or the Rebate Fund), all in the manner and to the extent described in the Indenture and the Series Supplemental Indentures. Except as provided in a Series Supplemental Indenture, Revenues do not include (a) discount, points or other initial Loan fees charged by the Authority; (b) any payment of interest on a Loan or other payment with respect to a Loan to the extent to be used for paying mortgage insurance premiums or other fees for credit enhancement of the Loan; or (c) Development Receipts.

The Authority shall immediately transfer all Revenues received by it, other than Acquired Development Operating Income, to the Trustee. All Revenues received by the Trustee shall be deposited in the Revenue Fund.

Acquired Bonds

The Offered Bonds will also be secured on a parity basis by a pledge of all right, title and interest of the Authority in and to the Acquired Bonds. "Acquired Bonds" means any bond or other obligation of the Authority not issued pursuant to the Indenture that a Series Supplemental Indenture authorizes the Authority to acquire with amounts deposited in the Funds and Accounts (as specified in the Series Supplemental Indenture) and includes any instrument evidencing an ownership interest in or security for such obligation. As a result of the issuance of the 2003 Series B Bonds, there will be no Acquired Bonds held under the Indenture. See "INTRODUCTION." The Indenture permits the Authority to acquire Acquired Bonds in the future.

Loans

The Offered Bonds will also be secured on a parity basis by a pledge of certain rights of the Authority in and to the Loans and security for rights in Loans that are pledged as part of the Trust Estate. "Loan" means any loan authorized by a Series Supplemental Indenture financed with proceeds of Bonds or other amounts deposited in the Funds and Accounts (as specified in the Series Supplemental Indenture) and includes any instrument evidencing an ownership interest in or security for such loan and also includes any loan financed by any Obligations refunded by Bonds to the extent the Series Supplemental Indenture for those Bonds so determines that such a loan shall be a Loan under this Indenture. A Loan may be a first mortgage loan, a subordinate mortgage loan or an unsecured mortgage loan, and may be for a multi-family development or a single family dwelling. The documents, instruments and agreements used to evidence or secure Loans may differ from time to time at the discretion of the Authority. The Indenture does not mandate any underwriting criteria for Loans.

Reserve Fund

The Indenture establishes a Reserve Fund to be used to pay debt service on Bonds other than Subordinate Bonds or payments under Derivative Agreements relating to Bonds, other than Subordinate Bonds, to the extent no other funds are available for that purpose. The Reserve Requirement, as of any particular date of calculation, is equal to the sum of all amounts established as Series Reserve Requirements in the Series Supplemental Indentures for all Series of Bonds Outstanding. The Series Reserve Requirement is an amount established by a Series Supplemental Indenture as the reserve requirement for the Bonds of the Series while those Bonds are Outstanding. Series Supplemental Indentures for more than one Series of Bonds may establish a composite Series Reserve Requirement applicable to all those Series of Bonds.

A Series Supplemental Indenture may provide that the Series Reserve Requirement with respect to the applicable Series of Bonds may be funded in whole or in part through Cash Equivalents, including an insurance policy, surety, guarantee or other security arrangement. Amounts held in the Reserve Fund as of any date in excess of the Reserve Requirement, taking into account any Cash Equivalents in the Reserve Fund, shall upon an Authority Request, be transferred to the Revenue Fund, unless otherwise provided in the Series Supplemental Indenture.

The 2003 Series A Supplemental Indenture establishes a Series Reserve Requirement for the 2003 Series A Bonds. That Series Reserve Requirement is an amount, from time to time, equal to six months of the maximum annual principal and interest on the Outstanding 2003 Series A Bonds.

The 2003 Series C Supplemental Indenture establishes a Series Reserve Requirement for the 2003 Series C Bonds. That Series Reserve Requirement shall be funded by the deposit of a debt service reserve fund surety bond policy issued by MBIA Insurance Corporation in the amount of $260,000 (the “Debt Service Reserve Fund Surety Bond”).

The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Reserve Fund and is provided as an alternative to the Authority depositing funds equal to the Reserve Requirement for outstanding Series 2003 C Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to six months of the maximum annual principal and interest on the Series 2003 C Bonds ($260,000) and the premium therefor will be fully paid at the time of delivery of the Offered Bonds. The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Bond Insurer with the Trustee which have not been reimbursed by the Authority the “Surety Bond Coverage”).

The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to the Bond Insurer to the effect that insufficient amounts are on deposit in the Reserve Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Bond Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Bond Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Trustee to the Bond Insurer, the Bond Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The Authority will be required to reimburse the Bond Insurer to the extent of payments made and expenses incurred by the Bond Insurer in connection with the Debt Service Reserve

Fund Surety Bond. The obligation of the Authority to reimburse the Bond Insurer such amounts will be subordinate only to the rights of the Bondholders to receive regularly scheduled principal and interest payments on the Bonds.

For information regarding MBIA Insurance Corporation, see "THE BOND INSURANCE POLICY."

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Reserve Fund" for a further discussion of the Reserve Fund.

Rating Certificate; Cash Flow Certificates and Compliance Certificates

The Indenture allows the Authority to take various actions subject to filing with the Trustee a Rating Certificate, a Cash Flow Certificate and/or a Compliance Certificate.

A Rating Certificate is a Certificate of an Authorized Representative filed with the Trustee, with respect to certain actions to be taken by the Authority, that the Authority has been advised by each Rating Agency that the Rating of that Rating Agency will not be reduced or withdrawn as a result of the Authority taking that action. "Rating" means at any date the then existing rating of Bonds (other than Subordinate Bonds) by a Rating Agency and, with respect to any Series of Bonds which has a rating based on bond insurance or other similar credit support for that Series of Bonds, the then existing underlying rating of such Bonds, without regard to such bond insurance or other similar credit support, as determined by a Rating Agency or in such other manner as shall be acceptable to the Trustee and the Authority.

A Cash Flow Certificate is a Certificate of an Authorized Representative stating that, as shown in the cash flow projections included in the Certificate and based upon the assumptions stated in the Certificate, there will at all times be available sufficient amounts in the Funds and Accounts, timely to pay all principal of and interest on the Bonds and make Derivative Payments under the assumptions stated in the Certificate for each set of then current cash flow scenarios (described below). Except as provided in the Series Supplemental Indenture, a Cash Flow Certificate for Bonds that are not Subordinate Bonds need only show the sufficiency of amounts so as to pay debt service and to make Derivative Payments for Bonds that are not Subordinate Bonds. The Cash Flow Certificate must include projections of the amounts available for payment of debt service on Bonds and of Derivative Payments under the assumptions stated in the Certificate for each then current cash flow scenario and the assumptions used in computing the projections.

The Cash Flow Certificate must set forth various cash flow scenarios, which are sets of stated assumptions. Those assumptions include, without limitation, the following:

1. the timing and amounts of prepayments;

2. the timing and amounts of the receipt of payments of scheduled principal of and interest on Loans and Acquired Bonds;

3. the investment return on Funds and Accounts;

4. availability of amounts in the Reserve Fund;

5. Expenses to be paid; and

6. the form of any Supplemental Coverage.

The Cash Flow Certificate must also include a set of operating policies setting forth rules or limitations to be followed with respect to discretionary activities of the Authority under the Indenture and Series Supplemental Indentures. Cash flow projections must take into account the financial position of the Loans and Acquired Bonds as of the stated date of the projection, must be consistent with this Indenture and the Series Supplemental Indentures and must assume compliance with the operating policies set forth in the Cash Flow Certificate and the various Series Program Determinations.

A Compliance Certificate with respect to any action is a Certificate of an Authorized Representative stating that the action complies with the operating policies of the Authority as set forth in the then current Cash Flow Certificate.

The actions for which filing a Rating Certificate is required are:

1. issuing any Series of Bonds (except no Rating Certificate is required for the initial Series of Bonds);

2. making certain supplements or amendments to a Series Supplemental Indenture including, without limitation, the Series Reserve Requirement, the payment and security for Derivative Payments under a Derivative Agreement, the use of Cash Equivalents in the Reserve Fund, Supplemental Coverage, Permitted Investments or Series Program Determinations;

3. entering into any Derivative Agreement relating to any Series of Bonds after the date of issuance of such Bonds;

4. remarketing any Bonds in connection with a change in tender period except as required at the time of their issuance; or

5. releasing the pledge, assignment, lien or security interest of the Indenture in Loans or Acquired Bonds.

The actions for which either a Cash Flow Certificate or a Compliance Certificate must be filed are:

1. any purchase or redemption of Bonds (other than mandatory redemption pursuant to Sinking Fund Installments and certain purchases of Bonds in lieu of Sinking Fund Installments);

2. certain withdrawals of amounts from the Revenue Fund free and clear of the pledge and lien of the Indenture;

3. any amendment, encumbrance, sale or other disposition of any Loan or Acquired Bond not in default or any restructuring or compromising of any Loan;

4. any use of Acquired Bond Redemption Receipts, Prepayments or Recovery Payments for any use other than purchase or redemption of Bonds or payment of scheduled debt service; or

5. any material change in any operating policies or assumptions set forth in the most recent Cash Flow Certificate.

See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Rating Certificates, Compliance Certificates and Cash Flow Certificates" for further information regarding Rating Certificates, Compliance Certificates and Cash Flow Certificates.

Certain Factors Affecting Multi-Family Loans

The ability of the Authority to pay the principal of and interest on the Bonds is dependent on the revenues derived from Loans (and loans held under the resolutions and indentures pursuant to which Acquired Bonds are issued), including the timely receipt of debt service payments including, without limitation, any Section 8 or Section 236 subsidies and the proceeds of any FHA mortgage insurance. The ability of the owner of a development to make timely debt service payments depends upon a variety of factors, including the achievement and maintenance of sufficient levels of occupancy, sound management, timely receipt of any applicable subsidies, the ability to increase rents to cover increases in operating expenses, including taxes, utility charges and maintenance costs, and changes in laws and governmental regulations which affect the cost of operating the development.

In the case of developments subject to Section 8 subsidies, this ability to make timely debt service payments may also be affected by the term of any Section 8 subsidy contract, which varies with respect to any given development and in certain cases may be less than the term of the related mortgage loan. There may be a default on a mortgage loan when there are substantial increases in operating costs and either market conditions or HUD does not permit corresponding increases in rental levels on a timely basis, or substantial reductions in occupancy or a reduction, loss or termination of Section 8 housing assistance payments occurs. See Appendix B for a description of and recent developments regarding the Section 8 program.

With respect to mortgage loans that are the subject of FHA mortgage insurance, under Section 221(d)(4) of the National Housing Act and the regulations promulgated thereunder, upon proper submission of a claim by the Authority and satisfaction of the process required for effecting a due assignment of the mortgage loan to FHA, FHA will pay 99 percent of the outstanding principal amount of the mortgage loan, less certain amounts which may be available to the Authority, plus interest on the insurance benefits at the FHA debenture rate, from the date of default (in the case of a monetary default, the date on which payment should have been received) to the date of the payment of the claim. The FHA debenture rate for a development is fixed at the time of the initial endorsement of the mortgage note by FHA. There can be no assurance that such debenture rate will be equal to or exceed the interest rate on the mortgage note. Payment of insurance benefits will be made in cash unless the mortgagee requests that insurance benefits be paid in debentures. Currently, with respect to the developments described herein that are FHA-insured, the Authority has covenanted in the related series resolutions pursuant to which such FHA-insured developments were financed to request payment in cash. If a claim is made under FHA mortgage insurance, the difference between the amounts due on the mortgage loan and the insurance benefits may (with respect to that portion of the mortgage loan financed by bonds secured by the Authority's general obligation) be paid from the Authority Administrative Funds. See Appendix C for a description of the FHA mortgage insurance program.

Derivatives

Except as expressly provided in a Series Supplemental Indenture, the Authority may from time to time enter into one or more Derivative Agreements with respect to one or more Series of Bonds. As provided in the related Series Supplemental Indenture, Derivative Payments payable by the Authority under any Derivative Agreement, other than with respect to Subordinate Bonds, may be payable from moneys on deposit in the Debt Service Account and, with respect to Subordinate Bonds, the Subordinate Bond Accounts, on a parity with, or, as provided in a related Series Supplemental Indenture, subordinate to interest payments on related Bonds. Notwithstanding anything to the contrary contained in the Indenture and as provided in the related Series Supplemental Indenture, Derivative Payments payable by the Authority pursuant to a Derivative Agreement may be secured by and payable from moneys on deposit in the Debt Service Account and the Subordinate Bond Accounts, on a parity with, or, as provided in a related Series Supplemental Indenture, subordinate to interest payments on related Bonds; provided, however, in no event shall any such Derivative Payment be paid with any amounts drawn under the credit facility or bond insurance policy securing the related Bond or remarketing proceeds derived from the related Bonds. Derivative Payments may include insurance premiums or insurance of the Authority's obligation to make such payments, as provided in the related Series Supplemental Indenture.

Additional Bonds

The Indenture provides that Additional Bonds may be issued subject to certain conditions and limitations. The Authority shall, at the time of issuance of a series of Additional Bonds, determine whether such series of Additional Bonds shall be special, limited obligations of the Authority or shall be general obligations of the Authority, to which its full faith and credit are pledged. Unless otherwise provided in a Series Supplemental Indenture with respect to a series of Additional Bonds, Section 26.1 of the Act shall not apply to any such series of Additional Bonds.

In addition, except as may otherwise be provided in a Series Supplemental Indenture for Subordinate Bonds, such Series of Additional Bonds shall be secured and be payable on a parity with and shall be entitled to the same benefits and security under the Indenture as all other Bonds issued under the Indenture, including the Offered Bonds. Nonetheless, the Authority may issue a Series of Bonds which may be secured by a credit facility or a bond insurance policy securing only such Series of Bonds or a portion of such Series of Bonds as determined by the applicable Series Supplemental Indenture.

The Indenture does not limit the aggregate principal amount of Bonds which may be issued, provided that the Authority does not exceed any limitation on the amount of its obligations established by law.

Before any Series of Additional Bonds (other than Subordinate Bonds) may be issued, the Authority must deliver to the Trustee a Rating Certificate.

State Certification

THE AUTHORITY HAS DETERMINED BY RESOLUTION THAT SECTION 26.1 OF THE ACT, WHICH REQUIRES THE GOVERNOR TO SUBMIT TO THE GENERAL ASSEMBLY THE AMOUNT CERTIFIED BY THE AUTHORITY AS BEING REQUIRED TO PAY DEBT SERVICE ON ITS BONDS BECAUSE OF INSUFFICIENT MONEYS AVAILABLE FOR SUCH PAYMENT, SHALL NOT APPLY TO THE OFFERED BONDS.

THE BOND INSURANCE POLICY

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix F for a specimen of the Bond Insurer's policy and Appendix G for a specimen of the Bond Insurer's Debt Service Reserve Fund Surety Bond Policy.

The Bond Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Master Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Offered Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Offered Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Bond Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Offered Bonds. The Bond Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Offered Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurer's policy also does not insure against nonpayment of principal of or interest on the Offered Bonds resulting from the insolvency, negligence or any other act or omission of the Master Paying Agent or any other paying agent for the Offered Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Master Paying Agent or any owner of an Offered Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Offered Bonds or presentment of such other proof of ownership of the Offered Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Offered Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the Offered Bonds in any legal proceeding related to payment of insured amounts on the Offered Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Master Paying Agent payment of the insured amounts due on such Offered Bonds, less any amount held by the Master Paying Agent for the payment of such insured amounts and legally available therefor.

The Bond Insurer

The Bond Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Bond Insurer. The Bond Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Bond Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control and transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and the Bond Insurer set forth under the heading "THE BOND INSURANCE POLICY" and in Appendices F and G. Additionally, the Bond Insurer makes no representation regarding the Offered Bonds or the advisability of investing in the Offered Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Financial Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Offered Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, the Bond Insurer had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2003, the Bond Insurer had admitted assets of $9.9 billion (unaudited), total liabilities of $6.4 billion (unaudited), and total capital and surplus of $3.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of the Bond Insurer

Moody's Investors Service, Inc. rates the financial strength of the Bond Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the Bond Insurer "AAA."

Fitch Ratings rates the financial strength of the Bond Insurer "AAA."

Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Offered Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Offered Bonds. The Bond Insurer does not guaranty the market price of the Offered Bonds nor does it guaranty that the ratings on the Offered Bonds will not be revised or withdrawn.

THE OFFERED BONDS

General

The Offered Bonds will be dated their date of delivery, and will bear interest from their date of delivery, payable semiannually on each January 1 and July 1, with the first interest payment date being July 1, 2004, at the rates per annum, and will mature on the dates and in the amounts, set forth on the inside cover page of this Official Statement. The Offered Bonds are issuable only in registered form in denominations of $5,000 or any integral multiple thereof ("Authorized Denomination"). Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Offered Bonds are issuable only as fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. For a description of the method of payment of the principal, premium, if any, and interest on the Bonds, and matters pertaining to transfers and exchanges while the Bonds are in book-entry system, see "THE OFFERED BONDS – Book-Entry Only System." For a description of matters pertaining to transfers and exchanges while the Bonds are not in book-entry system, see "THE OFFERED BONDS – Registration, Transfer, Ownership and Exchange of Bonds."

If the Bonds are not in the book-entry system, the principal and Redemption Price of all Offered Bonds shall be payable only to the Owner or the Owner's legal representative at the designated corporate trust office of the Trustee (or Master Paying Agent, if one is appointed and serving), and payment of the interest on each Offered Bond shall be made by the Trustee (or Master Paying Agent, if one is appointed and serving) to the Owner by check mailed to the Owner at the Owner's address as it appears on the registration books or, if to the Owner's designee, to the address of such designee. See "THE OFFERED BONDS – Book-Entry Only System."

Interest payable on the Offered Bonds on each interest payment date will be paid to the Owner appearing on the registration books of the Authority or to the designee of such Owner on such date, by check mailed to the Owner at the Owner's address as it appears on such registration books or, if to the Owner's designee, to the address of such designee. See "THE OFFERED BONDS – Book-Entry Only System."

Registration, Transfer, Ownership and Exchange of Bonds

The transfer of any Offered Bonds may be registered only upon the books kept for that purpose upon their surrender to the Trustee (or Master Paying Agent, if one is appointed and serving) together with an assignment duly executed by the registered Owner or the Owner's agent in such form as shall be satisfactory to the Trustee or Master Paying Agent. Upon any such registration of an Offered Bond transfer, the Authority shall execute and the Trustee or Master Paying Agent shall authenticate and deliver in exchange for such Offered Bond a new Offered Bond or Offered Bonds, registered in the name of the transferee, in any denomination or denominations authorized by the Indenture ("Authorized Denominations"), in an aggregate principal amount equal to the principal amount of such Offered Bond of same tenor and series and having a maturity and bearing interest at the same rate.

In all cases in which Offered Bonds are exchanged or Offered Bonds are transferred by registration, the Authority shall execute and the Trustee or Master Paying Agent shall authenticate and deliver at the earliest practicable time Offered Bonds in accordance with the provisions of the Indenture. All Offered Bonds surrendered in any exchange or registration of transfer shall be cancelled by the Trustee or Master Paying Agent. The Authority or, at the direction of the Authority, the Trustee or Master Paying Agent may make a charge for the expense incurred in every such exchange or registration of transfer of Offered Bonds, including a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Neither the Authority nor the Trustee or Master Paying Agent shall be required to make any such exchange or registration of transfer of Offered Bonds during the 15 days, or, in the case of any proposed redemption of Offered Bonds, immediately preceding the date of notice of that redemption, or after such Offered Bonds or any portion of such Offered Bonds shall have been selected for redemption.

The person in whose name any Offered Bond shall be registered shall be deemed and regarded as the Owner of such Offered Bond for all purposes. Payment of or on account of the principal of and interest on any Offered Bond of a Series shall be made only to its Owner or the Owner's legal representative. All such payments shall be valid and effective to satisfy and discharge the liability upon such Offered Bond, including interest on it, to the extent of the sum or sums so paid.

Subject to, and in accordance with, the provisions described above, Offered Bonds, upon their surrender at the designated corporate trust office of the applicable Trustee (or Master Paying Agent, if one is appointed and serving) together with an assignment duly executed by the Owner or that Owner's agent or legal representative in such form as shall be satisfactory to the Trustee (or Master Paying Agent, if one is appointed and serving), may, at the option of their Owner, be exchanged for an equal aggregate principal amount of Offered Bonds of like tenor and maturity, bearing interest at the same rate, of any Authorized Denomination.

Redemption

Special Redemption. The Offered Bonds are subject to redemption at the option of the Authority, in any order of maturity as determined by the Authority, and within a maturity by lot, at any time, in whole or in part, at their principal amount plus accrued interest, if any, to the Redemption Date, from the following sources:

(i) Loan Prepayments and Recovery Payments with respect to any Loans (whether financed by Offered Bonds or other Bonds);

(ii) payments made by the Authority, to the extent Loan Prepayments or Recovery Payments (excluding, in each case, amounts received for Bond redemption premium or other redemption costs) to be used to redeem Offered Bonds are less than the Outstanding principal amount of the Bonds that financed the portion of the Loans with respect to which that Loan Prepayment or Recovery Payment was received;

(iii) Acquired Bond Redemption Receipts of any Acquired Bonds (whether financed by Offered Bonds or other Bonds) to the extent permitted by the terms of the Acquired Bonds (but not including any proceeds of a voluntary sale of Acquired Bonds not in default);

(iv) moneys available from a reduction in the Reserve Requirement as a result of the redemption or repayment of Offered Bonds;

(v) moneys available from surplus Revenues. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund;" and

(vi) in the case of the 2003 Series A Bonds only, from any amounts remaining in the 2003 Series A Account of the Program Fund as a result of a failure to make, in whole or in part, the Loan to Northpoint as described above under "PLAN OF FINANCE" (such as, for example, because conditions to funding the Northpoint Loan are not met or because less than all of the proceeds of the Northpoint Loan are disbursed);

(vii) in the case of the 2003 Series C Bonds only, from any amounts remaining in the 2003 Series C Account of the Program Fund as a result of a failure to make, in whole or in part, the Loan to Country Club as described above under "PLAN OF FINANCE" (such as, for example, because conditions to funding the Country Club Loan are not met or because less than all of the proceeds of the Country Club Loan are disbursed); and

(viii) any money provided by the Authority, if, in the opinion of nationally recognized bond counsel selected by the Authority, the redemption of the Offered Bonds is required to prevent interest on them from being included in gross income of their owners for federal income tax purposes or if there occurs a final decree or judgment of a federal court, a determination of the Internal Revenue Service or an opinion of such bond counsel, that interest on the Offered Bonds is or was included in gross income of their owners within the meaning of the Code (except for gross income on Offered Bonds held by a "substantial user" or "related person" within the meaning of the Code).

As used in the Indenture:

"Acquired Bond Redemption Receipts" means amounts received by the Trustee upon a redemption (other than pursuant to Sinking Fund Installments) of an Acquired Bond, and amounts received upon a voluntary sale of an Acquired Bond not in default.

"Loan Prepayments" means amounts received upon a voluntary payment of principal or interest on a Loan including any prepayment penalty or other amounts due upon a prepayment of a Loan and amounts received upon the encumbrance, sale or other disposition of Loans not in default. Loan Prepayments may include, without limitation, voluntary prepayments from proceeds of new loans made by the Authority, including new loans financed by Bonds or other obligations of the Authority. Loan Prepayments may also include moneys received upon a voluntary sale or disposition by the Authority of a Loan not in default, including a sale to secure obligations of the Authority other than Bonds.

"*Recovery Payments*" means amounts received with respect to any sale or enforcement of Loans or Acquired Bonds (other than Loan Prepayments or Acquired Bond Redemption Receipts) and received as Proceeds or Insurance Proceeds. Recovery Payments also include any recovery from Supplemental Coverage to the extent not included in Insurance Proceeds.

The mortgage loans for the Financed Developments generally contain the agreement of the borrowers that they will not prohibit prepayment or make any Loan Prepayments without the consent of the Authority until an agreed upon date. For the dates on and after which those Loans and the mortgage loans for the Financed Developments can be prepaid without the consent of the Authority, see the table below. After the specified date, those loans may be prepaid without the consent of the Authority, subject to compliance with certain provisions of the Act and the Indenture (or in the case of the Acquired Bonds, their authorizing resolution). The Authority may consent to a voluntary prepayment (which could be financed by proceeds of a new mortgage loan from the Authority) prior to such date in which event the Offered Bonds will be called for special redemption at par, subject only to the restrictions set forth in the Act and the Indenture (or in the case of the Acquired Bonds, their authorizing resolution). Some of the Financed Developments have been financed with multiple Loans; the table below sets forth each such Loan, its interest rate and, if not yet passed, its earliest prepayment date.

FINANCED DEVELOPMENTS

Mortgage Loan No.	Name of Development	Mortgage Rate [1]	Approximate Unpaid Principal Balance [1]	Prepayment Date [2]
ML-001	Harper Square Cooperative	5.53%	$7,077,066	
ML-001	Harper Square Cooperative [7]	7.81	892,805	
ML-002	Winfield Village I	5.53	1,283,099	
ML-002	Winfield Village I [7]	7.81	239,176	
ML-003	Vermilion Garden Apartments	5.53	1,798,527	[3]
ML-004	Huntington Square	5.53	3,033,317	[3]
ML-006	University Village I	5.53	2,083,884	[3]
ML-007	Lancaster Heights [4]	5.53	1,608,953	
ML-013	Cumberland Green	5.53	2,171,490	
ML-013	Cumberland Green [7]	7.81	420,569	
ML-013	Cumberland Green [7]	9.00	198,672	
ML-019	Innsbruck [7]	7.49	6,299,171	
ML-019	Innsbruck [7]	9.00	363,094	
ML-020	Carriage House I [7]	7.81	1,305,842	
ML-021	Cedar Point at Pinebrook [7]	7.95	1,902,258	
ML-021	Cedar Point at Pinebrook [7]	7.49	91,746	
ML-022	River Run [7]	7.81	1,085,919	
ML-024	Indian Trails [7]	7.49	3,186,077	
ML-025	West Wind Towers [7]	7.81	1,498,714	
ML-028	Country Club Heights [5]	5.15	3,121,055	
ML-029	East Court Village [7]	7.95	1,528,010	
ML-030	Winfield Village II [7]	7.81	2,421,973	
ML-033	Colony Park [7]	7.49	2,885,264	
ML-035	Lincolnshire [7]	7.81	1,314,534	
ML-037	St. Clair Village [7]	7.49	3,550,457	
ML-038	Constitution House [7]	7.81	2,641,768	
ML-039	University Village II [7]	7.95	2,388,932	[3]
ML-040	Burnham Oaks [7,9]	7.81	749,461	
ML-043	Valley View [7]	7.95	2,154,506	
ML-044	Leisure Acres [7]	7.95	1,488,151	
ML-045	Westport Village [7]	7.81	1,418,645	
ML-049	Woodcrest Apartments [7]	7.81	1,239,666	
ML-056	Thornwood House [7]	7.81	2,933,888	
ML-061	New Vistas I [7]	7.86	2,179,856	
ML-061	New Vistas I [7]	9.00	67,867	
ML-082	Atrium Village [7]	9.00	8,244,226	
ML-199	Columbia Lakes Apartments	5.95[6]	5,831,394	05/01/2005
ML-209	HICA Redevelopment Project	8.30	4,890,817	
ML-216	Austin Renaissance	5.50	2,667,717	
	Total		$ 90,258,605	
ML-289	Country Club Heights [5]		6,275,000	09/01/2015
ML-290	Northpoint [8]		20,155,000	09/01/2015

1. As of July 31, 2003.
2. Unless a date is shown in the table, this loan has passed its earliest optional prepayment date.
3. The borrower has no right to prepay this loan.
4. The Lancaster Heights development prepaid its mortgage loan on October 8, 2003. The affected Bonds were redeemed November 24, 2003.
5. The Authority anticipates refunding ML-028 and making a new Loan on this Financed Development to a new borrower to be funded with proceeds of the Offered Bonds.
6. This interest rate is a composite rate based upon two notes, one of which bears interest only at 5.30 percent with respect to $5,860,000 outstanding principal amount, and the other note which bears interest at 15.89 percent with respect to $151,394 outstanding principal amount which will mature on June 1, 2004. The interest rate on the first note increases to 6.21 percent and commences amortization when the other note is fully paid.
7. It is anticipated that these mortgage loans will be transferred to and pledged under the Indenture as Loans and the associated developments will become Financed Developments. See "INTRODUCTION."
8. This development is anticipated to be financed with proceeds of the Offered Bonds.
9. The Authority initiated foreclosure proceedings against this Financed Development.

As of July 31, 2003, Loans in the aggregate outstanding principal amount of $75,231,751 (including the Lancaster Heights loan which was prepaid on October 8, 2003, as noted above) are past their respective earliest optional prepayment dates, and, accordingly, may be prepaid at any time without the consent of the Authority. Such prepayments may result in the special redemption of Offered Bonds at par as described above.

Moneys received from the prepayment of a Loan or the redemption of an Acquired Bond may, upon filing a Cash Flow Certificate and delivery of a Bond Counsel Opinion, be used to make other Loans or to purchase other Acquired Bonds in lieu of redeeming Offered Bonds as described above. Any such new Loan or Acquired Bond will become security under the Indenture. No assurances can be given that such moneys will be used to make new Loans or purchase other Acquired Bonds.

In addition, the maturity dates of many of the Loans held under the Indenture (see the table above under "PLAN OF FINANCE") are less than the stated maturities of many of the Bonds, including the Offered Bonds. Accordingly, some the assumptions upon which the maturities and Sinking Fund Installments of the Offered Bonds were established include assumptions that (a) there would be no Loan Prepayments, Acquired Bonds Redemption Receipts or Recovery Payments related to these Financed Developments, and (b) that surplus Revenues comprising regularly scheduled principal payments on certain Loans would be used to make other Loans or to acquire Acquired Bonds. However, the Authority may receive Loan Prepayments, Acquired Bonds Redemption Receipts and Recovery Payments related to the Financed Developments, and the Authority is not obligated to recycle such surplus Revenues by making other Loans or by acquiring Acquired Bonds. Instead, as described above under the caption "THE OFFERED BONDS – Redemption – Special Redemption," Loan Prepayments, Acquired Bonds Redemption Receipts, Recovery Payments, and surplus Revenues may be used to redeem Offered Bonds. Consequently, to the extent such monies are so used to redeem Offered Bonds, the average life of an Offered Bond may be significantly shorter than its stated maturity.

Mandatory Sinking Fund Redemption. The 2003 Series A Bonds maturing on July 1, 2007, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series A Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
July 1, 2004	$ 85,000	July 1, 2006	$ 190,000
January 1, 2005	125,000	January 1, 2007	195,000
July 1, 2005	130,000	July 1, 2007 †	195,000
January 1, 2006	155,000		

† Final maturity

The 2003 Series A Bonds maturing on July 1, 2024, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series A Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2015	$ 90,000	January 1, 2020	$ 125,000
July 1, 2015	95,000	July 1, 2020	125,000
January 1, 2016	100,000	January 1, 2021	135,000
July 1, 2016	100,000	July 1, 2021	130,000
January 1, 2017	105,000	January 1, 2022	140,000
July 1, 2017	110,000	July 1, 2022	145,000
January 1, 2018	110,000	January 1, 2023	150,000
July 1, 2018	110,000	July 1, 2023	145,000
January 1, 2019	120,000	January 1, 2024	160,000
July 1, 2019	120,000	July 1, 2024†	155,000

† Final maturity

The 2003 Series A Bonds maturing on July 1, 2029, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series A Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2025	$ 165,000	July 1, 2027	$ 195,000
July 1, 2025	170,000	January 1, 2028	190,000
January 1, 2026	180,000	July 1, 2028	200,000
July 1, 2026	175,000	January 1, 2029	210,000
January 1, 2027	185,000	July 1, 2029 †	210,000

† Final maturity

The 2003 Series A Bonds maturing on July 1, 2034, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series A Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2030	$ 220,000	July 1, 2032	$ 255,000
July 1, 2030	230,000	January 1, 2033	270,000
January 1, 2031	230,000	July 1, 2033	260,000
July 1, 2031	240,000	January 1, 2034	280,000
January 1, 2032	245,000	July 1, 2034 †	285,000

† Final maturity

The 2003 Series A Bonds maturing on July 1, 2039, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series A Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2035	$ 295,000	July 1, 2037	$ 340,000
July 1, 2035	305,000	January 1, 2038	350,000
January 1, 2036	310,000	July 1, 2038	370,000
July 1, 2036	320,000	January 1, 2039	365,000
January 1, 2037	335,000	July 1, 2039 †	390,000

† Final maturity

The 2003 Series A Bonds maturing on January 1, 2046, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series A Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2040	395,000	July 1, 2043	485,000
July 1, 2040	405,000	January 1, 2044	500,000
January 1, 2041	425,000	July 1, 2044	520,000
July 1, 2041	430,000	January 1, 2045	530,000
January 1, 2042	440,000	July 1, 2045	550,000
July 1, 2042	465,000	January 1, 2046 †	910,000
January 1, 2043	475,000		

† Final maturity

The 2003 Series C Bonds maturing on July 1, 2024, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series C Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2015	$ 175,000	January 1, 2020	$ 60,000
July 1, 2015	175,000	July 1, 2020	65,000
January 1, 2016	110,000	January 1, 2021	65,000
July 1, 2016	50,000	July 1, 2021	65,000
January 1, 2017	50,000	January 1, 2022	65,000
July 1, 2017	55,000	July 1, 2022	65,000
January 1, 2018	55,000	January 1, 2023	70,000
July 1, 2018	55,000	July 1, 2023	75,000
January 1, 2019	60,000	January 1, 2024	75,000
July 1, 2019	60,000	July 1, 2024†	75,000

† Final maturity

The 2003 Series C Bonds maturing on July 1, 2029, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series C Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2025	$ 75,000	July 1, 2027	$ 85,000
July 1, 2025	75,000	January 1, 2028	90,000
January 1, 2026	80,000	July 1, 2028	95,000
July 1, 2026	85,000	January 1, 2029	95,000
January 1, 2027	85,000	July 1, 2029 †	95,000

† Final maturity

The 2003 Series C Bonds maturing on July 1, 2034, are subject to mandatory redemption in part by lot, pursuant to Sinking Fund Installments on the dates and in the amounts shown below, at a Redemption Price equal to the principal amount of the 2003 Series C Bonds to be redeemed plus accrued interest to the date of redemption, without premium:

Redemption Date	Sinking Fund Installment	Redemption Date	Sinking Fund Installment
January 1, 2030	$ 95,000	July 1, 2032	$ 110,000
July 1, 2030	105,000	January 1, 2033	115,000
January 1, 2031	105,000	July 1, 2033	115,000
July 1, 2031	105,000	January 1, 2034	115,000
January 1, 2032	110,000	July 1, 2034 †	35,000

† Final maturity

The Sinking Fund Installments on the Offered Bonds maturing on any date may be reduced by the redemption of those Offered Bonds, other than pursuant to Sinking Fund Installments on the Offered Bonds (or by the purchase of those Offered Bonds from money otherwise to be used for such a redemption not pursuant to Sinking Fund Installments), on or prior to the due date of the particular Sinking Fund Installments, as will be specified by the Authority. The total credit against Sinking Fund Installments will equal the principal amount of the Offered Bonds so redeemed or purchased. The Authority, at the time of giving notice to the Trustee of an election or direction to redeem Offered Bonds, will specify any Sinking Fund Installments against which the redemption will be credited and the notice of the redemption will also include that information. The Authority will determine the amounts and due dates of the various Sinking Fund Installments against which the principal amount of Offered Bonds will be credited in such manner that there will be no material adverse effect on the ability of the Authority to continue to pay the principal of and Sinking Fund Installments and interest on Offered Bonds remaining Outstanding.

Optional Redemption. On or after January 1, 2013, the Offered Bonds may be called for redemption, at par, at the option of the Authority, in any order of maturity as determined by the Authority, and by lot within a maturity, in whole or in part at any time, from any moneys available for such purpose.

The Authority may also redeem, at par without premium, all or any portion of the Offered Bonds at any time under the circumstances described above under the subheading *"Special Redemption."* The Authority must file with the Trustee either a Compliance Certificate or a Cash Flow Certificate, as appropriate, prior to the special or optional redemption of the Offered Bonds in the manner described above.

General Redemption Provisions

As long as the Offered Bonds are held by Cede & Co., as nominee of DTC, notice of any redemption will be mailed not less than 30 days and not more than 90 days prior to the date set for redemption. Such notices will be furnished to DTC. The Authority has been informed that DTC will in turn forward the information to Direct Participants (as defined below), which will then provide the appropriate notification to Indirect Participants and Beneficial Owners (as defined below). Failure to so mail any such notice to DTC or any Bondowner (as defined below) will not affect the validity of the proceedings for the redemption of the Offered Bonds. **Failure of DTC or any Direct or Indirect Participant to provide notice to any Beneficial Owner will not affect the validity of the proceedings for the redemption of the Offered Bonds.**

"Bondowner" as used herein, means the registered owner of any Offered Bond. As long as DTC is the securities depository of the Offered Bonds, such Bonds will be registered in the name of Cede & Co., as the nominee of DTC, and the certificates for the Offered Bonds will be held by DTC.

If the Offered Bonds are not held by the nominee of DTC or the nominee of any successor securities depository, at least 30 days but not more than 90 days before the redemption date of any Offered Bonds, the Trustee (or Master Paying Agent, if one is appointed and serving) shall cause a notice of any such redemption, either in whole or in part, signed by the Trustee (or Master Paying Agent, if one is appointed and serving) to be mailed, first class postage prepaid, to all Registered Owners of Offered Bonds to be redeemed at their addresses as they appear on the registration books kept by the Trustee (or Master Paying Agent, if one is appointed and serving). Each notice of redemption shall set forth the date fixed for redemption, the Redemption Price to be paid, the place or places where amounts due upon such redemption will be payable and, if less than all of the Offered Bonds then Outstanding are called for redemption, the series or subseries, the maturities and the distinctive numbers, if any, of such Offered Bonds to be redeemed and, in the case of Offered Bonds to be redeemed in part only, the portion of the principal amount to be redeemed. The notice of redemption may be conditional. If conditional, the notice shall set forth in summary terms the conditions precedent to such redemption and that if such conditions have not been satisfied on or prior to the redemption date, such notice shall be of no force and effect and such Offered Bonds shall not be redeemed. If such conditions are not satisfied, or if the Authority by written notice to the Trustee and the Master Paying Agent given prior to the date fixed for redemption revokes the redemption (other than a mandatory redemption), the redemption shall not be made and the Trustee (or Master Paying Agent, if one is appointed and serving) shall within a reasonable time give notice to the affected Owners, in the manner in which the notice of redemption was given, that such conditions were not satisfied. An affidavit of the Trustee (or Master Paying Agent, if one is appointed and serving) of mailing the notice of redemption shall be conclusive and binding upon the Authority and owners of the Offered Bonds. Once notice is sent in accordance with the provisions of the Indenture, it shall be effective whether or not received by a Bondowner. If any Offered Bond is to be redeemed in part only, the notice of redemption which relates to such Offered Bond shall state also that on or after the redemption date, upon surrender of such Offered Bond, a new Offered Bond of the same maturity and series, bearing interest at the same rate and in principal amount equal to the unredeemed portion of such Offered Bond, will be issued.

On the designated redemption date, if (i) the conditions precedent, if any, to such redemption have been satisfied, (ii) the required notice has been given or waived, and (iii) with respect to a redemption other than a mandatory redemption, if sufficient money to pay the Redemption Price and accrued interest are held by the Trustee in trust for the Owners of the Offered Bonds or portions of Offered Bonds to be redeemed, the Offered Bonds or portions of Offered Bonds so called for redemption shall become and be due and payable at their

Redemption Price, such Offered Bonds or portions of Offered Bonds shall cease to be Outstanding, interest on the Offered Bonds or portions of Offered Bonds so called for redemption shall cease to accrue, such Offered Bonds or portions of Offered Bonds shall cease to be entitled to any benefit or security under the Indenture and the Owners of such Offered Bonds or portions of Offered Bonds shall have no other rights except to receive payment of the Redemption Price and the accrued interest on such Offered Bonds to the date of redemption and, to the extent applicable, to receive Offered Bonds for any unredeemed portion of Offered Bonds.

If less than all of the Offered Bonds of one Series (and subseries, if applicable) and one maturity bearing the same interest rate (and otherwise of like tenor) are called for redemption, the particular Offered Bonds of such Series (and subseries if applicable) and maturity bearing the same rate of interest (and otherwise of like tenor) to be redeemed shall be selected not later than 45 days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Trustee and the Master Paying Agent in such manner as directed by the Authority. If no such direction is received by the Trustee (or Master Paying Agent, if one is appointed and serving), it shall select the Offered Bonds to be redeemed by lot or in such other manner as it in its discretion may determine. The portion of Offered Bonds of any Series (and subseries, if applicable) to be redeemed shall be in the minimum Authorized Denomination, and in selecting Offered Bonds for redemption, the Trustee (or Master Paying Agent, if one is appointed and serving) shall treat each Offered Bond as representing that number of Offered Bonds which is obtained by dividing the principal amount of such Offered Bond by such minimum Authorized Denomination.

If less than all of the Outstanding Offered Bonds that are Term Bonds of any one maturity of a Series (or subseries, if applicable) are purchased for cancellation or called for redemption (other than in satisfaction of Sinking Fund Installments), the principal amount of such Term Bonds that are so purchased or redeemed shall be credited, to the extent practicable, except as otherwise provided in an Authority Request, against all remaining Sinking Fund Installments for the Term Bonds of such Series (and subseries, if applicable) and maturity in the proportion which the then remaining balance of each such Sinking Fund Installment bears to the total of all Offered Bonds of such Series (and subseries, if applicable) and maturity then Outstanding. A Master Paying Agent shall notify the Trustee in writing of its selection of Offered Bonds to be redeemed as provided in this paragraph and the Trustee shall provide the Master Paying Agent with all necessary information as to the Outstanding Offered Bonds for that selection to be made.

If part but not all of an Outstanding Offered Bond is selected for redemption, the Owner of such Offered Bond or the Owner's agent or legal representative shall present and surrender such Offered Bond (with, if the Authority or the Trustee (or Master Paying Agent, if one is appointed and serving) so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Authority and the Trustee (or Master Paying Agent, if one is appointed and serving) duly executed by the Owner or the Owner's agent or legal representative) to the Trustee (or Master Paying Agent, if one is appointed and serving) for payment of the principal amount so called for redemption. The Authority shall execute and the Trustee (or Master Paying Agent, if one is appointed and serving) shall authenticate and deliver to or upon the order of such Owner or his legal representative, without charge, a new Offered Bond for the unredeemed portion of the principal amount of the Offered Bond so surrendered. Such new Offered Bond shall be issued in any Authorized Denomination at the option of such Owner or the Owner's agent, shall be of the same maturity and subseries, shall bear interest at the same rate and shall otherwise be of same tenor as the Offered Bond partially redeemed.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources the Authority and the Underwriter believe to be reliable, but neither the Authority nor the Underwriter takes any responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds of each Subseries, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds of a Series at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the affected Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the affected Bonds will be printed and delivered.

THE TRUSTEE, ANY PAYING AGENT AND THE AUTHORITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN ANY BOND UNDER OR THROUGH DTC OR ANY PARTICIPANT, OR ANY OTHER PERSON THAT IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDOWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON ANY BOND, ANY NOTICE THAT IS REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE RESOLUTION (EXCEPT IN CONNECTION WITH CERTAIN NOTICES OF DEFAULT AND REDEMPTION), THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

Master Paying Agent and Trustee

The Authority has consolidated all paying agent, registration, transfer and exchange functions for all of its outstanding bonds (including the Offered Bonds) in a master paying agent (defined in the Indenture as the "Master Paying Agent") appointed from time to time by the Authority. Currently, the Master Paying Agent for the Bonds is J.P. Morgan Trust Company, National Association, Chicago, Illinois. The Authority reserves the right to remove and appoint successor Master Paying Agents upon the same terms and in the same manner as it may remove, and appoint, successor Trustees. All paying agent, registration, transfer and exchange functions with respect to the Offered Bonds will be performed by the Master Paying Agent.

LaSalle Bank National Association, Chicago, Illinois serves as Trustee under the Indenture.

The Indenture provides for the Trustee to perform certain duties with respect to the Offered Bonds. The Trustee will perform certain fiduciary duties for the Bondowners, such as maintaining the funds and accounts established under the Indenture. The foregoing notwithstanding, the duties of the Trustee to the Bondowners of the Offered Bonds will run solely to DTC or its nominee as the registered owner of the Offered Bonds, except in connection with certain notices of default and redemption.

FINANCED DEVELOPMENTS

General

Under the Indenture, the Authority issues its Bonds for the purpose of financing Developments located throughout the State intended for occupancy principally by persons and families of low and moderate income. Upon issuance of the Offered Bonds and the 2003 Series B Bonds, 33 Financed Developments will have been financed, directly or indirectly, under the Indenture. A schedule of the Financed Developments is set forth below.

Description of Financed Developments

The following table sets forth for each Financed Development the Mortgage Loan number, the name, the location, the number of rental units, the number of units subject to Section 8 assistance, the unpaid principal amount of the Mortgage Loan, the percentage of occupancy, the maturity dates of the respective Mortgage Loans, and the latest expiration dates of the respective Section 8 contracts.

FINANCED DEVELOPMENTS

Mortgage Loan No.	Name of Development	Location	Total Number of Units/ Subsidized Units [1,5]	Unpaid Principal Balance [1]	Occupancy (Stated as a %) [1]	Latest Expiration Date of Section 8 Contract
ML-001	Harper Square Cooperative [6]	Chicago	591/365	$7,969,871	99	n/a
ML-002	Winfield Village I [6]	Savoy	160/160	$1,522,275	99	n/a
ML-003	Vermilion Garden Apts.	Danville	240/240	$1,798,527	92	n/a
ML-004	Huntington Square	Mt. Prospect	324/108	$3,033,317	93	n/a
ML-006	University Village I	DeKalb	246/246	$2,083,884	97	n/a
ML-007	Lancaster Heights [2]	Normal	198/198	$1,608,953	98	n/a
ML-013	Cumberland Green [6]	St. Charles	204/204	$2,790,731	98	n/a
ML-013	Cumberland Green [7]	St. Charles	204/204	$1,655,000	98	n/a
ML-019	Innsbruck [6]	Bolingbrook	475/150	$6,662,265	95	n/a
ML-020	Carriage House I [6]	Decatur	120/120	$1,305,842	98	n/a
ML-021	Cedar Point at Pinebrook [6]	Springfield	160/160	$1,994,005	96	n/a
ML-022	River Run [6]	Macomb	100/100	$1,085,919	93	n/a
ML-024	Indian Trails [6]	Addison	200/66	$3,186,077	91	n/a
ML-025	West Wind Towers [6]	Elgin	150/149	$1,498,714	98	n/a
ML-029	East Court Village [6]	Kankakee	133/133	$1,528,010	96	n/a
ML-030	Winfield Village II [6]	Savoy	188/188	$2,421,973	95	n/a
ML-033	Colony Park [6]	Carol Stream	284/284	$2,885,264	99	n/a
ML-035	Lincolnshire [6]	Charleston	114/114	$1,314,534	94	n/a
ML-037	St. Clair Village [6]	Belleville	240/79	$3,550,457	95	n/a
ML-038	Constitution House [6]	Aurora	232/232	$2,641,768	100	n/a
ML-039	University Village II [6]	Dekalb	168/126	$2,388,932	98	n/a
ML-040	Burnham Oaks [6,8]	University Park	59/59	$749,461	100	5/28/2002
ML-043	Valley View [6]	Rockford	179/179	$2,154,506	92	n/a
ML-044	Leisure Acres [6]	Washington	101/101	$1,488,151	96	n/a
ML-045	Westport Village [6]	Freeport	121/121	$1,418,645	76	n/a
ML-049	Woodcrest Apartments [6]	Ottawa	92/92	$1,239,666	93	n/a
ML-056	Thornwood House [6]	University Park	183/183	$2,933,888	96	n/a
ML-061	New Vistas I [6]	Chicago	148/148	$2,247,723	98	n/a
ML-082	Atrium Village [3, 6]	Chicago	309/309	$8,244,226	86	n/a
ML-199	Columbia Lakes Apartments	Columbia	138/0	$5,831,394	96	n/a
ML-209	HICA Redevelopment Project [3]	Chicago	120/120	$4,890,817	96	12/27/2005
ML-216	Austin Renaissance [3]	Chicago	71/71	$2,667,717	93	12/30/2004
ML-289	Country Club Heights [4]	Quincy	175/200	$6,275,000	91	
ML-290	Northpoint [4]	Chicago	304/304	$20,155,000	100	

1. As of July 31, 2003.
2. The Lancaster Heights development prepaid its loan on October 8, 2003. The affected Bonds were redeemed on November 24, 2003.
3. The mortgage loan for this Financed Development is subject to FHA insurance.
4. This development is anticipated to be financed with proceeds of the Offered Bonds.
5. All of the developments except ML-040, ML-199, ML-209, ML-216, and ML-290 are subject to Section 236 subsidies.
6. It is anticipated that these mortgage loans will be transferred to and pledged under the Indenture as Loans and the associated developments will become Financed Developments. See "INTRODUCTION."
7. It is anticipated that this additional mortgage loan to an existing Financed Development will be made with funds transferred to the Indenture as a result of refunding the Refunded HDB Bonds. See "INTRODUCTION."
8. The Authority initiated foreclosure proceedings against this Financed Development.

As reflected in the foregoing table, 30 Financed Developments are subject to Section 236 subsidies. In 1999, Congress passed legislation that permits owners of Section 236 developments to refinance their mortgages (if such mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy. See "Appendix B – Description of Federal Section 236 Interest Rate Reduction Program and Section 8 Subsidy Program."

As of September 30, 2003, of the mortgage loans listed in the foregoing table, two mortgage loans were delinquent in excess of 60 days. The total aggregate outstanding principal amount of these two mortgage loans in delinquency is approximately $2.1 million, and the total amount of the two payments in delinquency is $115,988. The Authority has initiated foreclosure proceedings against Burnham Oaks, the Financed Development associated with one of the two delinquent mortgage loans.

OTHER PROGRAMS

Other Multi-Family Mortgage Loan Programs

Information regarding the Authority's multi-family mortgage loan programs is provided below for purposes of general reference only. Many of the developments financed under these programs depend upon subsidies by the United States Department of Housing and Urban Development ("HUD") under Section 8 ("Section 8") of the United States Housing Act of 1937, as amended (the "1937 Housing Act") to meet their mortgage loan payments to the Authority. There are several proposals currently being discussed by HUD and members of Congress that could reduce or eliminate Section 8 subsidies. The Authority is unable to predict the outcome of these discussions or their impact on developments financed under these programs. For a further discussion of the multi-family mortgage loan programs, see "FINANCIAL STATEMENTS – Note E – Program Loans Receivable," "– Note F – Bonds and Notes Payable" and "– Note I – Other Liabilities" attached as Appendix A.

Multi-Family Program Bonds. Under this program the Authority issues Multi-Family Program Bonds in series to make mortgage loans for the purpose of: (i) financing the acquisition, construction, equipping, installation, renovation or rehabilitation of multi-family rental housing developments for persons and families of low and moderate income in the State of Illinois, (ii) preserving the availability of low and moderate income housing in existing developments, (iii) retiring outstanding Multi-Family Program Bonds and (iv) retiring other indebtedness of the Authority or other Persons issued for the purpose of financing or refinancing a development. The developments financed from the proceeds of the outstanding Multi-Family Program Bonds are fully or partially subsidized by HUD under Section 8 of the 1937 Housing Act, although it is not a requirement of this program that such developments or developments to be financed under this program in the future be subsidized. The bonds issued under this program (other than the two most recent series issued) are general obligations of the Authority, but are not subject to certification pursuant to Section 26.1 of the Act. The two new series of these bonds are not general obligations of the Authority or subject to certification pursuant to Section 26.1 of the Act. However, there is a partial pledge of the Authority's general obligation to secure the Authority's reimbursement obligations to the provider of the bond insurance insuring such series of bonds.

Multi-Family Housing Bonds. Under this program, the Authority finances multi-family housing mortgage loans to provide for the construction or rehabilitation and permanent financing of rental multi-family housing developments through the issuance of Multi-Family Housing Bonds and Multi-Family Housing Bond Anticipation Notes. Housing developments so financed are designed primarily for occupancy by persons and families of low and moderate income and, generally, the multi-family housing mortgage loans are made for developments that are or are expected to be the subject of future housing assistance payments by HUD under Section 8 of the 1937 Housing Act, for all or a portion of the units therein, or FHA mortgage insurance under Section 221(d)(4) of the National Housing Act of 1934, as amended. All but a series of these bonds issued in 1995 are general obligations of the Authority. However, there is a partial pledge of the Authority's general obligation to secure the Authority's reimbursement obligations to the provider of the bond insurance insuring such series of these bonds issued in 1995. All bonds issued under this program prior to 1995 are also subject to certification pursuant to Section 26.1 of the Act. These bonds are the general obligations of the Authority, but not subject to certification pursuant to Section 26.1 of the Act.

Affordable Housing Program Trust Fund Bonds. The Authority is designated the administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated by an increase in the State real estate transfer tax. The Authority is authorized to pledge an aggregate of $10 million annually of the revenues and amounts on deposit or to be deposited to the Affordable Housing Trust Fund as security for affordable housing bonds that the Authority issues under this program to finance low and very low income single-family and multi-family housing. The Authority has pledged and may in the future pledge its general obligation in certain limited respects as security for some of these bonds, but such bonds are not and will not be subject to certification under Section 26.1 of the Act.

On May 8, 2002, the Authority entered into a forward swap transaction under this program. Aspects of this transaction would include the Authority's agreement to issue variable rate refunding bonds in the summer of 2004, proceeds of which would be used to redeem all or a portion of the Series 1994A Bonds issued under the program, as well as enter into a variable to fixed rate swap agreement for those variable rate bonds.

Housing Development Bonds. Under this program, housing development mortgage loans provide for the construction or rehabilitation and permanent financing of rental multi-family housing developments through the issuance of Housing Development Bonds and Housing Development Bond Anticipation Notes. Housing developments so financed are designed primarily for occupancy by persons and families of low and moderate income and, generally, the housing development mortgage loans are made for developments that are entitled to interest reduction payments by HUD under Section 236 of the 1937 Housing Act for all or a portion of the units in the development. These bonds are general obligations of the Authority and subject to certification pursuant to Section 26.1 of the Act. Subsequent to the transaction described herein, the Authority intends to fully defease and cancel this indenture. See "INTRODUCTION."

Fixed Rate Housing Bonds. These bonds provided permanent financing for and financed mortgage loan increases for developments designed primarily for occupancy by persons and families of low and moderate income. These bonds are general obligations of the Authority and subject to certification pursuant to Section 26.1 of the Act. Subsequent to the transaction described herein, the Authority intends to fully defease and cancel this indenture. See "INTRODUCTION."

Multi-Family Variable Rate Demand Bonds. The Authority established this program to assist in the construction, rehabilitation and permanent financing of multi-family, rental developments intended for occupancy principally by persons and families of low and moderate income. The Authority issued bonds for the first time under this program in April 1996, and used their proceeds and other moneys to refund all of its then outstanding short term commercial paper notes. These bonds are not the general obligation of the Authority or subject to certification pursuant to Section 26.1 of the Act. However, the reimbursement obligations to the bond insurer and the provider of the liquidity facility for these bonds are the general obligation of the Authority, but not subject to certification pursuant to Section 26.1 of the Act.

Multi-Family Housing Revenue Bonds. In November 1997, the Authority issued its Multi-Family Housing Revenue Bonds, Series 1997 (AMT) (Camelot Development) to pay or redeem certain of the Authority's outstanding Multi-Family Housing Bonds (proceeds of which were used to finance the Camelot Development), pay or reimburse the Authority for costs of rehabilitation and improvement of the Camelot Development, and certain other uses. In June 2000, the Authority issued its Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) to pay or redeem certain of the Authority's outstanding Multi-Family Housing Bonds (proceeds of which were used to refinance the Lakeshore Plaza Development), and certain other uses. These two series of bonds are general obligations of the Authority but are not subject to certification pursuant to Section 26.1 of the Act.

Housing Finance Bonds. The Authority issued bonds for the first time under this program in December 1999. Bonds issued under this program are anticipated to be used to finance multi-family developments under the Risk Sharing Program, and/or HUD's so-called Section 8 "mark-to-market" program, as well as to finance multi-family developments providing assisted living services to low income persons under an assisted living pilot project sponsored by the Illinois Department of Public Aid. The bonds issued under this program to date are not general obligations of the Authority and are not subject to certification under Section 26.1 of the Act.

Risk Sharing Program. In June 1994, the Authority entered into a Risk Sharing Agreement with HUD that permits the Authority to participate in HUD's Risk Sharing Pilot Program. Under the Risk Sharing Program, HUD will insure certain mortgage loans on multi-family housing developments ("Risk Sharing Loans"). HUD has authorized the Authority to make Risk Sharing Loans for multi-family housing developments. Under the Risk Sharing Agreement, the Authority will underwrite Risk Sharing Loans following its underwriting guidelines. HUD will insure these Risk Sharing Loans and, in the event of a foreclosure, will bear 10 to 90 percent of the loss, as elected by the Authority at the time the loan is made. The Authority will bear the remainder of the risk. The Authority has made a number of Risk Sharing Loans, and elected to assume 50 to 90 percent of the loss with respect to those loans. In October 2000, Congressional legislation made the Risk-Sharing Pilot Program into a permanent program that allows the Authority to submit an unlimited amount of loans for Risk-Sharing loan credit enhancement. The Authority is currently reviewing a number of other applications for Risk Sharing Loans, and anticipates entering into commitments for, and closing, additional Risk Sharing Loans.

Ambac-Insured Mortgage Loan Program. In December, 2000, the Authority received a commitment from Ambac Assurance Corporation ("Ambac") under which Ambac will insure mortgage loans ("Ambac Loans") on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. Once Ambac Loans are issued and minimum threshold requirements are met, Ambac and the Authority will enter into a sharing agreement on the remaining principal balance. The Authority has made a number of Ambac Loans, and is currently reviewing a number of other applications for Ambac Loans, and anticipates entering into commitments for, and closing, additional Ambac Loans.

Single Project Financings. The Authority issues from time to time special limited obligation bonds to finance single projects as further described in "FINANCIAL STATEMENTS – Note F – Bonds and Notes Payable – Other Financings" attached as Appendix A. These bonds are generally conduit financings and are not general obligations of the Authority or subject to certification pursuant to Section 26.1 of the Act.

Single-Family Mortgage Purchase Programs

Information regarding the Authority's other single-family mortgage purchase programs is provided below for purposes of general reference only. For a further discussion of the single-family mortgage purchase programs, see "FINANCIAL STATEMENTS – Note E – Program Loans Receivable," "– Note F – Bonds and Notes Payable," "– Note I – Other Liabilities" and "– Note N – Subsequent Events" attached as Appendix A.

Homeowner Mortgage Revenue Bonds. Proceeds of bonds issued under this program, which was commenced in 1994, are used to purchase single-family mortgage loans made to eligible borrowers for qualified dwellings. The Authority has issued several series of bonds under this program. The Authority anticipates issuing additional bonds under this program. These bonds are not general obligations of the Authority and are not subject to certification pursuant to Section 26.1 of the Act.

Residential Mortgage Revenue Bonds. The Authority developed this Program for the purpose of purchasing mortgage loans from approved lending institutions located throughout the State, on owner-occupied, one-to-four unit dwellings acquired by eligible buyers. From 1983 through 1993, the Authority issued 32 series of bonds under this program for an aggregate amount of approximately $1.8 billion in lendable proceeds. The Authority does not plan to issue additional bonds to purchase additional mortgage loans under this program. As a result of November 1, 2003, bond redemptions under this program, only a minimal amount of bonds remain outstanding.

Owner Occupied Housing Revenue Bonds. On July 15, 1994, the Authority adopted its Owner Occupied Housing Revenue Bonds General Resolution, permitting the Authority from time to time to issue bonds and to use the proceeds of such sales to refund on a replacement basis the Authority's outstanding Homeowner Mortgage Revenue Bonds and Residential Mortgage Revenue Bonds. A number of Owner Occupied Housing Revenue Bonds have been refunded with the proceeds of the Authority's Homeowner Mortgage Revenue Bonds. The Authority anticipates that its Owner Occupied Housing Revenue Bonds will continue to be so refunded. These bonds are general obligations of the Authority, but are not subject to certification pursuant to Section 26.1 of the Act.

Other Authorized Activities

In addition to the programs described above, the Authority is authorized under the Act to: (i) make grants to non-profit corporations for operating, administrative and other expenses relating to developments financed under assisted or unassisted mortgage financing programs; (ii) make housing assistance grants to non-profit corporations and limited profit entities for the benefit of residents of developments in order to achieve lower rentals for some or all of the housing units in such developments financed under assisted or unassisted mortgage financing programs; (iii) make loans, grants or deferred payment loans to low and moderate income persons or to non-profit and limited profit entities to finance the improvement or rehabilitation of single-family residences; (iv) make non-interest bearing advances to non-profit corporations for constructing or rehabilitating developments to make housing available to low and moderate income persons; (v) make loans for housing related commercial facilities; (vi) act as a developer of land or structures to provide developments, community facilities or housing related commercial facilities; and (vii) make loans or grants to encourage research in demonstration projects to develop new and better techniques for increasing the supply of housing for low and moderate income persons and families. The Authority may also provide technical assistance in the development of housing for low and moderate income persons and families.

The Authority is designated the administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated by an increase in the State real estate transfer tax. Trust Fund moneys not otherwise pledged as security for Affordable Housing Program Trust Fund Bonds may be used, with the approval of the Authority, to make grants, mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single-family and multi-family housing for low and very low income households. See "OTHER PROGRAMS – Other Multi-Family Mortgage Loan Programs."

The Authority is designated the program administrator for the HOME Program for the State, as authorized by Title II of the National Affordable Housing Act of 1990. Under that Project, participating Mortgage Lenders that have been approved by the Authority may be allowed to originate Mortgage Loans on Qualified Dwellings. The HOME Program provides down payment and closing cost assistance to certain eligible borrowers whose income is at or below 80 percent of the median income for the area in which the Qualified Dwelling is located, as determined by HUD. Applications for HOME Program funds are accepted on a quarterly basis from for-profit and not-for-profit organizations, local and county governments and public agencies. HOME Program funds may be used, with the approval of the Authority, to make grants or loans for moderate or substantial rehabilitation, property acquisition, new construction, tenant-based rental assistance, reconstruction, site improvements, owner-occupied rehabilitation, demolition and relocation expenses, all in connection with providing housing for low and very low income persons.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture, to which reference is hereby made and copies of which are available from the Trustee or the Authority. Capitalized terms used in this summary that are not otherwise defined herein have the meanings set forth in the Indenture.

Certain Definitions

"*Accountant*" means a major national firm of independent certified public accountants of recognized national standing for auditing financial statements of major issuers of state and local government bonds throughout the United States.

"Acquired Bond Redemption Receipts" means amounts received by the Trustee upon a redemption (other than pursuant to Sinking Fund Installments) of an Acquired Bond, and amounts received upon a voluntary sale of an Acquired Bond not in default.

"*Acquired Bonds*" means any Obligations which are not issued pursuant to the Indenture but which a Series Supplemental Indenture authorizes the Authority to acquire with amounts deposited in Funds and Accounts specified in the Series Supplemental Indenture.

"*Acquired Development*" means a Development which the Authority has (i) acquired or constructed and owns and operates on its own behalf or (ii) acquired title to, or taken possession of, through protection and enforcement of its rights conferred by law, contract or mortgage or security interest with respect to such Development, but only during the period of ownership or possession by the Authority, and the extent the Acquired Development is financed by Bonds (and not Acquired Bonds) or acquired with amounts in Funds and Accounts under the Indenture.

"*Acquired Development Expenses*" means all of the costs and expenses incurred by the Authority in connection with the acquisition, ownership or operation of an Acquired Development, including the repayments required to be paid pursuant to any mortgage on such Acquired Development, which mortgage does not secure a Loan, except as limited with respect to any Series of Bonds by the applicable Series Supplemental Indenture.

"*Acquired Development Expense Requirement*" means such amount of money as may from time to time be determined by the Authority to be necessary for the payment of the Acquired Development Expenses for an Acquired Development.

"*Acquired Development Fund*" means the Fund of that name established pursuant to the Indenture.

"*Acquired Development Operating Income*" means the amount during any period by which Acquired Development Receipts from an Acquired Development exceed Acquired Development Expenses for the Acquired Development.

"*Acquired Development Receipts*" means all moneys received by the Authority in connection with its acquisition, ownership or operation of an Acquired Development, except as limited with respect to any Series of Bonds by the related Series Supplemental Indenture.

"*Act*" means the Illinois Housing Development Act, 20 ILCS 3805, as amended from time to time.

"*Additional Bonds*" means any additional Bonds issued pursuant to the Indenture.

"*Amortized Value*" means the purchase price of securities, excluding accrued interest, plus an amortization of any discount or less an amortization of any premium on the purchase price. The premium or discount shall be amortized on a straight line basis by multiplying the amount of that premium or discount by a fraction, the numerator of which is the number of days having then passed from the date of purchase and the denominator is the number of days from the date of purchase to the maturity date.

"*Appreciated Amount*" shall mean with respect to a Deferred Interest Bond, as of any date of computation, an amount equal to its initial principal amount plus the interest accrued on it from the date of its original issuance to the earlier of the date of computation or the date, if any, set forth in the related Series Supplemental Indenture on which interest to be paid on a current interest payment date shall begin to accrue. The accrued interest shall be calculated at the rate or rates per year set forth in the related Series Supplemental Indenture, and shall be compounded on such dates set forth in that Series Supplemental Indenture, with accrual between compounding dates in equal daily amounts.

For the purposes of actions, requests, notifications, consents or directions of Bondowners under the Indenture, the calculation of the Appreciated Amount shall be as of the interest payment date or compounding date preceding such date of calculation (unless such date of calculation shall be an interest payment date or compounding date, in which case it shall be as of the date of calculation).

"*Authority Request*" means a written request or direction of the Authority signed by an Authorized Representative.

"*Authorized Representative*" means the Chairman, Vice Chairman, Executive Director, Deputy Executive Director or any Assistant Executive Director of the Authority and any other authorized representative as from time to time may be designated by resolution or by law to act on behalf of the Authority under the Indenture.

"*Bond*" or "*Bonds*" means any Bond or Bonds issued pursuant to the Indenture.

"*Bond Counsel Opinion*" means an opinion of a lawyer or firm of lawyers nationally recognized as bond counsel, selected by the Authority.

"*Bondowner*" or "*Owner of Bonds*" or "*Owner*" means the registered owner of any registered Bond.

"*Cash Equivalent*" means a letter of credit, insurance policy, surety, guarantee or other security arrangement upon which the Authority or the Trustee may make a draw for or acquire funds as needed for the Reserve Fund or to provide Supplemental Coverage.

"*Cash Flow Certificate*" means a certificate of an Authorized Representative filed with the Trustee and meeting the requirements of the Indenture.

"*Certificate*" means a signed document either attesting to or acknowledging the circumstances, representations or other matters stated in it or setting forth matters to be determined pursuant to the Indenture or a Series Supplemental Indenture.

"*Code*" means applicable provisions of the Internal Revenue Code of 1986, as amended, and the applicable regulations under it, or predecessor or successor provisions, as applicable.

"*Compliance Certificate*" means a certificate of an Authorized Representative filed with the Trustee and meeting the requirements of the Indenture.

"*Costs of Issuance*" means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale, issuance and remarketing of the Bonds, as certified by an Authorized Representative.

"*Counsel's Opinion*" means an opinion of a lawyer or firm of lawyers selected by the Authority, including a lawyer in the regular employment of the Authority.

"*Debt Service Account*" means the Account of that name in the Revenue Fund established pursuant to the Indenture.

"*Deferred Interest Bond*" means any Bond designated as such by the related Series Supplemental Indenture.

"*Derivative Agreement*" means an agreement, with respect to any Bonds, such as an interest rate swap, collar, floor, cap, or other functionally similar agreement, creating Derivative Payments, between the Authority and a counterparty whose long-term unsecured debt is, at the time the Authority enters into the Derivative Agreement, rated by each Rating Agency at least equal to that Rating Agency's existing Rating on the Bonds, but only if the Derivative Payments to the Authority are to be included in Revenues or the Derivative Payments by the Authority are to be payable from Revenues, as provided in the related Series Supplemental Indenture.

"*Derivative Payment*" means a payment obligation created by a Derivative Agreement, which payment is equal to interest on an amount, based upon a fixed or a variable rate index or formula, or to interest on amount above or below an interest rate cap or floor. Derivative Payments include only payments under a Derivative Agreement determined by reference to such interest on an amount and shall not, except as provided in the Related Series Supplemental Indenture, include any other payments under such agreement (for example, any termination fee, indemnification obligation or other fee payment to the counterparty).

"*Development*" means a development, as such term is defined in the Act, as amended from time to time, in respect of which the Authority is authorized by law and under a Series

Supplemental Indenture either to make a Loan to an eligible borrower or acquire, construct and operate on its own behalf.

"Development Receipts" means amounts held, or received by the Authority to be held, in custodial escrow or other accounts as funds of the owner or for the benefit, of a Development for which there is a Loan. Development Receipts include, without limitation, amounts for payments of real property taxes and insurance, repair and replacement reserves, working cash reserves and capital improvement reserves.

"*Event of Default*" means any of the events of default described in the Indenture.

"*Expenses*" means any money required by the Authority to pay the fees or expenses of the Trustee and any expenses which the Authority lawfully may pay relating to servicing, maintaining, administering, collecting, enforcing and insuring Loans or Acquired Bonds or the Bonds and also including, without limitation, fees or premiums for Supplemental Coverage, and costs of the redemption of Bonds, except as limited with respect to any Series of Bonds by the related Series Supplemental Indenture. Expenses shall not include Acquired Development Expenses.

"*Fiscal Year*" means the year beginning on the first day of July and ending on the last day of June in the next succeeding year.

"*Fund*" or "*Account*" means a Fund or Account created by or pursuant to the Indenture or a Series Supplemental Indenture.

"*Government Obligations*" means (i) direct obligations of or obligations fully guaranteed as to timely payment by the United States of America which may include, but are not limited to: United States Treasury obligations; Separate Trading or Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book-Entry Safekeeping (CUBES), provided that the underlying United States Treasury obligation is not callable prior to maturity; certificates of beneficial ownership of the Farmers Home Administration; participation certificates of the General Services Administration; guaranteed Title IX financings of the U.S. Maritime Administration; guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association; local authority bonds guaranteed by the U.S. Department of Housing and Urban Development; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority and (ii) interest obligations of the Resolution Funding Corporation (REFCORP), including, but not limited to, interest obligations of REFCORP stripped by the Federal Reserve Bank of New York.

"*Insurance Proceeds*" means payments received with respect to Acquired Developments, Loans or Acquired Bonds under any bond insurance policy, guarantee or fidelity bond, including amounts available under any Supplemental Coverage, less any expenses incurred in realizing such payments and less any reimbursement of advances due the insurer or provider of such guarantee or bond. Insurance Proceeds do not include amounts received for casualty insurance on Developments or otherwise with respect to property securing Loans or Acquired Developments to the extent applied to the repair, reconstruction or replacement of the insured property.

"*Lender*" means any entity or person approved by the Authority from whom Loans may be acquired.

"*Loan*" means any loan authorized by a Series Supplemental Indenture and financed with proceeds of Bonds or other amounts deposited in the Funds and Accounts (as specified in the Series Supplemental Indenture) and includes any instrument evidencing an ownership interest in or security for such a loan, and includes also any loan financed by any Obligations refunded by Bonds to the extent the Series Supplemental Indenture for those Bonds so determines that such a loan shall be a Loan under the Indenture.

"Loan Prepayments" means amounts received upon a voluntary payment of principal or interest on a Loan including any prepayment penalty or other amounts due upon a prepayment of a Loan and amounts received upon the encumbrance, sale or other disposition of Loans not in default.

"*Master Paying Agent*" means a Master Paying Agent, designated from time to time by the Authority pursuant to the Indenture and initially The First National Bank of Chicago, Chicago, Illinois, or its successor.

"*Obligations*" means bonds, notes or other obligations of the Authority for borrowed money which are not Bonds.

"*Outstanding*" means, with respect to any Bonds as of any date, all Bonds authenticated and delivered by the Trustee under the Indenture to that date, except:

(i) any Bond deemed paid in accordance with the Indenture;

(ii) any Bond cancelled by, or delivered for cancellation to, the Trustee because of payment at maturity or redemption or purchase prior to maturity; and

(iii) any Bond in lieu of or in substitution for which another Bond has been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any Bond for which such Bond has been authenticated and delivered is held by a bona fide purchaser, as that term is defined in Article Eight of the Illinois Uniform Commercial Code, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds authenticated and delivered in lieu of, or in substitution for, it shall be deemed outstanding.

"*Permitted Investments*" means, to the extent authorized by law at the time of such investment,

(i) (A) Government Obligations, or (B) obligations with the highest long term rating by each Rating Agency at the time of purchase, of any state of the United States of America or any political subdivision of such a state, payment of which is secured by an irrevocable pledge of Government Obligations;

(ii) (A) notes, bonds, debentures or other obligations issued by Student Loan Marketing Association (excluding securities which do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date), Federal Home

Loan Banks, the Tennessee Valley Authority, Farm Credit System, Federal Home Loan Mortgage Corporation (which guarantees full and timely payment of principal and interest), the Resolution Trust Corporation and the Small Business Administration; or (B) bonds, debentures or other obligations issued by Federal National Mortgage Association; in each case (1) excluding mortgage securities which are valued greater than par on the portion of unpaid principal or mortgage securities which represent payments of principal only or interest only with respect to the underlying mortgage loans and (2) with a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds;

(iii) any other obligations of any agency controlled or supervised by and acting as an instrument of the United States pursuant to authority granted by the Congress of the United States, as set forth in a Series Supplemental Indenture, with a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds;

(iv) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the United States, including the Trustee (as used in this (iv), "deposits" shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are fully insured by the Federal Deposit Insurance Corporation;

(v) certificates of deposit or time deposits of any bank, including the Trustee, trust company or savings and loan association, if all of the direct, unsecured debt obligations of such bank, trust company or savings and loan association at the time of purchase of such certificates of deposit or time deposits which have a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's then existing Rating on the Bonds, other than Subordinate Bonds, or are rated in the highest rating category assigned by each such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for short-term obligations if the investment is for a period not exceeding one year;

(vi) repurchase agreements backed by or related to obligations described in (i), (ii) or (iii) above, structured and secured in such a manner as set forth in a Series Supplemental Indenture or by action of an Authorized Representative upon filing a Rating Certificate with the Trustee, (A) with any institution whose unsecured debt securities which have a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's then existing Rating on the Bonds, other than Subordinate Bonds (or the highest rating for short-term obligations if the investment is for a period not exceeding one year) or (B) with members of the Association of Primary Dealers in any United States Government Securities which do not qualify under (A) and as to whom a Rating Certificate is filed with the Trustee;

(vii) investment agreements, structured and secured in such a manner as set forth in a Series Supplemental Indenture, secured or unsecured, as required by the Authority,

(A) with any institution whose debt securities have a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds (or the highest rating of short-term obligations), if the investment is for a period not exceeding one year), or (B) with members of the Association of Primary Dealers in any United States Government Securities which do not qualify under (A) and as to whom a Rating Certificate is filed with the Trustee;

(viii) direct and general obligations of or obligations guaranteed by any state, municipality or political subdivision or agency of a state or municipality, and certificates of participation in obligations of the State which obligation may be subject to annual appropriations which obligations have a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's existing Rating on the Bonds, other than Subordinate Bonds;

(ix) bonds, debentures, or other obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) issued by any bank, trust company, national banking association, insurance company, corporation, government or governmental entity (foreign or domestic), provided that such bonds, debentures or other obligations (A) are payable in any coin or currency of the United States of America which at the time of payment will be legal tender for the payment of public and private debts and (B) have a rating by each Rating Agency at the time of purchase at least equal to that Rating Agency's lowest Rating on the Bonds, other than Subordinate Bonds;

(x) commercial paper (having original maturities of not more than 365 days) with the highest short-term rating by each Rating Agency at the time of purchase;

(xi) money market and similar funds (including a common trust fund managed by the Trustee or one of its affiliates or subsidiaries) which invest their assets exclusively in obligations described in clauses (i) through (x) above and which have been rated by each Rating Agency in the highest rating category assigned by each such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), provided that with respect to Standard & Poor's such funds have ratings with the subscripts "m" or "m-G"; and

(xii) any investments authorized in a Series Supplemental Indenture authorizing Bonds.

The definition of Permitted Investments may be amended and additional obligations included by a Supplemental Indenture upon filing of a Rating Certificate with the Trustee.

For purposes of this definition, "institution" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency, instrumentality, program, account, fund, political subdivision or corporation of a government.

Any reference in this definition to the highest rating of short-term obligations or to a rating category shall be without regard to any refinement or gradation such as a "+" or a "1".

"*Principal*" means (i) with respect to the principal amount of a Deferred Interest Bond, the Appreciated Amount and (ii) with respect to any other Bond, the stated principal amount.

"*Proceeds*" means the amounts received by the Authority or the Trustee, other than Loan Prepayments, upon any sale, encumbrance, taking, disposition or enforcement of any Loans or security for pledged rights in Loans, Acquired Developments and Acquired Bonds, less any costs and expenses incurred in realizing such amounts.

"*Program Fund*" means the Fund of that name and Accounts in it established pursuant to the Indenture.

"*Rating*" means at any date the then existing rating of Bonds (other than Subordinate Bonds) by a Rating Agency and, with respect to any Series of Bonds which has a rating based on bond insurance or other similar credit support for that Series of Bonds, the then existing underlying rating of such Bonds, without regard to such bond insurance or other similar credit support, as determined by a Rating Agency or in such other manner as shall be acceptable to the Trustee and the Authority.

"*Rating Agency*" means any nationally recognized rating agency maintaining a rating of any Bonds (other than Subordinate Bonds), pursuant to a request for a rating by the Authority.

"*Rating Certificate*" means, in connection with certain actions to be taken by the Authority, a Certificate of an Authorized Representative filed with the Trustee that the Authority has been advised by each Rating Agency that the Rating of that Rating Agency will not be reduced or withdrawn as a result of the Authority taking that action.

"*Rebate Fund*" means the Fund of that name and Accounts in it which may be created and designated in Series Supplemental Indentures pursuant to the Indenture.

"*Recovery Payments*" means amounts received with respect to any sale or enforcement of Loans or Acquired Bonds (other than Loan Prepayments or Acquired Bond Redemption Receipts) and received as Proceeds or Insurance Proceeds. Recovery Payments also include any recovery from Supplemental Coverage to the extent not included in Insurance Proceeds.

"*Redemption Account*" means the Account of that name in the Revenue Fund established pursuant to the Indenture.

"*Redemption Price*" means, with respect to a Bond or portion of a Bond, the portion of the principal amount of such Bond or portion plus the applicable premium, if any, payable upon redemption of a Bond in the manner contemplated by the Indenture and the related Series Supplemental Indenture.

"*Reserve Fund*" means the Fund of that name established pursuant to the Indenture.

"*Reserve Requirement*" means, as of any particular date of calculation, an amount equal to the sum of all amounts established as Series Reserve Requirements in the Series Supplemental Indentures for all Series of Bonds Outstanding authorizing the issuance of such Outstanding Bonds, other than Subordinate Bonds. The Trustee may rely upon a Certificate from an

Authorized Representative of the Authority which states the Reserve Requirement as of the date of the Certificate.

"*Revenue Fund*" means the Fund of that name established pursuant to the Indenture.

"*Revenues*" means all money received by or on behalf of the Authority or the Trustee representing (i) principal and interest and related payments on Acquired Bonds and Loans, payments of service and other fees or charges to the Authority with respect to Loans, payments on Loans to reimburse the Authority for costs of issuance of Bonds (or other costs of the Authority with respect to Bonds payable from the Revenue Fund) and also including, without limitation, Loan Prepayments, Acquired Bond Redemption Receipts and Recovery Payments; (ii) Acquired Development Operating Income; (iii) Insurance Proceeds; (iv) Proceeds; (v) any Derivative Payments by a counterparty with respect to a Series of Bonds to the extent the related Series Supplemental Indenture provides for those Derivative Payments to be included in Revenues; and (vi) subject to certain limitations contained in the Indenture, interest and other investment earnings received on the investment of amounts in any Account or Fund (other than the Acquired Development Fund or the Rebate Fund), all in the manner and to the extent described in the Indenture and the Series Supplemental Indentures. Except as provided in a Series Supplemental Indenture, Revenues do not include (a) discount, points or other initial Loan fees charged by the Authority; (b) any payment of interest on a Loan or other payment with respect to a Loan to the extent to be used for paying mortgage insurance premiums or other fees for credit enhancement of the Loan; or (c) Development Receipts.

"*Serial Bonds*" means Bonds which are not Term Bonds.

"*Series*" means one of the series of Bonds issued under the Indenture pursuant to a Series Supplemental Indenture.

"*Series Supplemental Indenture*" means a Supplemental Indenture of the Authority authorizing the issuance of a Series of Bonds and executed prior to issuance of those Bonds. Series Supplemental Indenture includes any supplemental indenture of the Authority amending a Series Supplemental Indenture as provided in the Indenture.

"*Series Program Accounts*" means the Series Program Accounts in the Program Fund established by Series Supplemental Indentures.

"*Series Program Determinations*" means determinations by the Authority as to the terms of and security for Loans in connection with a Series of Bonds, as provided in a Series Supplemental Indenture.

"*Series Reserve Requirement*" means an amount established by a Series Supplemental Indenture as the reserve requirement in respect of the Bonds of the Series while those Bonds are Outstanding. Series Supplemental Indentures for more than one Series of Bonds may establish a composite Series Reserve Requirement applicable to all those Series of Bonds.

"*Sinking Fund Installments* " means, as of any particular date of calculation, with respect to the Term Bonds of any Series and maturity, the amount of money required to be applied on any applicable date to the redemption prior to maturity or the purchase of those Bonds. Sinking Fund Installments may be established as fixed dollar amounts or by formula.

"*Special Receipts Account*" means the account of that name in the Revenue Fund established pursuant to the Indenture.

"*Subordinate Bonds*" means Bonds payable on a basis as set forth in the related Series Supplemental Indenture with a claim to payment which is subordinate to the claim of Bonds which are not Subordinate Bonds.

Subordinate Bonds Account" means the account of that name in the Revenue Fund established pursuant to the Indenture.

"*Supplemental Coverage*" means the coverage, if any, whether in the form of insurance, Cash Equivalents or additional pledged funds, of losses from Loan or Acquired Bond defaults, as provided in a Series Supplemental Indenture. Supplemental Coverage may include any insurance or reserve fund funded by the Authority.

"*Supplemental Indenture*" means any supplemental indenture of the Authority supplementing or amending the Indenture, including Series Supplemental Indentures.

"*Term Bonds*" means the Bonds of a Series with respect to which Sinking Fund Installments have been established.

"*Trust Estate*" means Revenues, Funds and Accounts established under the Indenture and Series Supplemental Indentures (other than the Acquired Development Fund), Acquired Bonds, rights in Loans and security for the rights in Loans which rights are part of the Trust Estate, in each case solely to the extent such items are subject to the pledge, assignment, lien and security interest as provided in the Indenture.

"*Trustee*" means the institution named in the Indenture designated to act as trustee with respect to the Bonds and its successors as provided in the Indenture.

General

The Authority covenants that it will promptly pay the principal of and interest, if any, on each and every Bond issued under the provisions of the Indenture at the places, on the dates and in the manner specified in the Indenture and the Series Supplemental Indenture and the respective Bonds. The Authority covenants that it will pay any premium required for the retirement of Bonds by purchase or redemption according to their true intent and meaning. This covenant for a Series of Bonds may be limited to the Trust Estate by a Series Supplemental Indenture. The Authority covenants that it will faithfully perform at all times all covenants, undertakings, stipulations, provisions and agreements contained in the Indenture, each Series Supplemental Indenture and in each Bond. The Authority will not directly or indirectly extend or assent to the extension of the time for the payment of any principal of or interest on any Bond and will not directly or indirectly be a party to any arrangement for that purpose without the consent of any Bondowner materially adversely affected by the arrangement. The Authority covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such supplemental indentures and such further acts, instruments and transfers as may be necessary or desirable to confirm, make effective or otherwise implement the pledge, assignment, lien and security interest granted by the Indenture or any Series Supplemental Indenture.

Authorization of Bonds

The Indenture creates an issue of Bonds of the Authority to be designated as "Housing Bonds," and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of and interest and Sinking Fund Installments on all the Bonds issued pursuant to the Indenture. Except as may be provided in a Series Supplemental Indenture with respect to Bonds authorized by that Series Supplemental Indenture, the Bonds shall be general obligations of the Authority and the full faith and credit of the Authority, subject to the present or future pledge, assignment or grant of a security interest or lien on specific property or amounts, assets or revenues to the payment of other obligations of the Authority, are pledged for the payment of the principal and Redemption Price of and interest and Sinking Fund Installments on the Bonds. The State is not liable on the Bonds, and the Bonds are not a debt of the State. Except as may be provided in a Series Supplemental Indenture with respect to Bonds authorized by that Series Supplemental Indenture, Section 26.1 of the Act shall not apply to the Bonds.

Pledge of the Indenture

As security for the payment of interest on and principal of and the redemption premium, if any, of the Bonds, and subject to application as provided in the Indenture and any Series Supplemental Indentures, the Authority pledges and assigns and grants a lien on and security interest to the Trustee in all:

(i) Funds and Accounts held by the Trustee and all deposits and investments of those Funds and Accounts;

(ii) Acquired Bonds (which shall be registered in the name of the Trustee);

(iii) Revenues; and

(iv) rights of the Authority to the payments of amounts in connection with Loans to the extent the payments would be included in Revenues, including, to the extent they may be so pledged, any right to governmental subsidies payable to the Authority to be used to pay principal of or interest on Loans, and also all security for the pledged rights in Loans including, without limitation, mortgages, assignments of rents and other security interests and agreements.

To the extent provided in a Series Supplemental Indenture, instruments evidencing Loans or security for Loans shall be deposited with the Trustee. The Trustee shall have no duty to examine any of these instruments and documents but only to retain them on deposit or apply them as provided in the Indenture. Loans, and the security for them, are subject to release by the Trustee to the Authority upon an Authority Request in connection with a sale, a disposition, an enforcement action, a restructuring of a Loan by the Authority as provided in the following paragraph.

Notwithstanding the assignment, pledge and grant described above, the Authority shall, if no Event of Default has occurred and is continuing, and except as may be provided in a Series Supplemental Indenture, have the right to sell, encumber, or dispose of Acquired Bonds or Loans as provided in the Indenture and shall have the right to restructure and enforce Loans in such manner as determined by the Authority in its discretion consistent with the provisions of the Indenture, including the ability to compromise, and release security for, Loans. The Trustee shall not remove the Trust Estate from Illinois except as authorized in writing by the Authority.

Any pledge, assignment, lien and security interest made pursuant to the Indenture and any Series Supplemental Indenture shall be valid and binding and effective upon its being made or granted, or upon property becoming subject to it, without any physical delivery, filing, recording or further act. The pledge, assignment, lien and security interest shall be valid and binding as against, and shall be superior to any claims of any others having claims of any kind against the Authority or any other person, irrespective of whether such other parties have notice of the pledge, assignment, lien or security interest other than as may otherwise be required by law in the case of any interest in real property. Notwithstanding the preceding two sentences, upon an Event of Default, the Authority shall upon the written request of the Trustee, or Owners of not less than 25 percent of the principal of the Outstanding Bonds other than Subordinate Bonds, take such actions to make the assignment of a mortgage or other interest in real estate effective, including, if necessary, recording of the assignment, and any assignment of a mortgage or other interest in real estate shall be effective only upon such actions.

Except for the issuance of Bonds pursuant to the Indenture, the Authority shall not make or grant any pledge, assignment, lien or security interest in any of the Trust Estate which is senior to or on a parity with the security provided by the Indenture. Except with respect to Subordinate Bonds, and except as expressly provided in or pursuant to the Indenture, all security for the Bonds under the Indenture shall be for the equal and proportionate benefit of the obligations of the Authority on all Bonds; provided, however, a Series of Bonds may be further secured by a credit facility or a bond insurance policy not applicable to any one or more other Series of Bonds, as shall be provided by the applicable Series Supplemental Indenture in addition to the security provided in the Indenture.

Except as may be limited by a Series Supplemental Indenture, upon all Bonds of any Series that financed or continued the financing of any particular Loan or Loans having been paid or treated as paid under the Indenture, the pledge, assignment, lien and security interest of the Trustee with respect to that Loan or Loans and any security for it or them shall be released to the Authority but only upon filing a Rating Certificate with the Trustee. Except as may be limited by a Series Supplemental Indenture, upon all Bonds of any Series that have financed the acquisition of Acquired Bonds, or that refinanced Acquired Bonds, having been paid or treated as paid under the Indenture, the pledge, assignment, lien and security interest of the Trustee with respect to those Acquired Bonds shall be released and those Acquired Bonds shall be registered as the Authority shall direct, but only upon filing a Rating Certificate with the Trustee.

Issuance of Bonds

Each Series of Bonds shall be authorized and issued under and secured by the Indenture pursuant to the authorization contained in a Series Supplemental Indenture. The Bonds of each

Series shall be designated as provided by the Series Supplemental Indenture. The Bonds shall be in such subseries (if any), shall be in such denominations, shall be dated, shall bear interest at a rate or rates not exceeding the maximum rate then permitted by law payable beginning on such date, shall be stated to mature on such dates, shall be made redeemable at such times and prices, shall have such Series Reserve Requirements, shall have such interest payment dates, shall be numbered and the Term Bonds of such Series shall have such Sinking Fund Installments, all as may be provided by the Series Supplemental Indenture for such Bonds. Except as may otherwise be provided for Subordinate Bonds in a related Series Supplemental Indenture, such Bonds shall be secured and be payable on a parity with and shall be entitled to the same benefits and security under the Indenture as all other Bonds issued under the Indenture. Nonetheless, the Authority may issue a Series of Bonds which may be secured by a credit facility or a bond insurance policy securing only such Series of Bonds or a portion of such Series of Bonds as determined by the applicable Series Supplemental Indenture.

Each Series Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify and determine:

(i) the authorized principal amount of such Series of Bonds;

(ii) the purposes for which such Series of Bonds are being issued, which shall be one or more of the following purposes: (a) the acquisition, construction, renovation, rehabilitation, improvement, expansion or equipping of any Development, including any Acquired Development and including providing reserves for those purposes, (b) the purchase, acquisition or making of Loans, (c) the purchase or acquisition of Acquired Bonds, (d) the making of such deposits in amounts, if any, required by the Indenture or the Series Supplemental Indentures to be paid into various Funds and Accounts, (e) the refunding of Bonds including prior to their redemption or maturity dates, (f) the acquisition, purchase, redemption or refunding of Obligations or (g) other lawful purposes of the Authority as specified in the Series Supplemental Indenture;

(iii) the maturity date or dates, the amounts of each maturity, and the interest payment dates of the Bonds of such Series;

(iv) the interest rate or rates of the Bonds of such Series (which may be a variable rate or rates) or method of determining the rate or rates;

(v) the denomination or denominations of, and the manner of dating, numbering and lettering the Bonds of such Series;

(vi) in the case of Term Bonds, if any, provision for Sinking Fund Installments;

(vii) in the case of Deferred Interest Bonds, the provisions as to accrual and compounding of interest;

(viii) the Redemption Price or Redemption Prices, if any, the time or times and the terms and conditions upon which the Bonds of such Series may be redeemed prior to their maturities, including without limitation the method of selection for redemption as among maturities;

(ix) the amounts to be deposited from the proceeds of such Series of Bonds in the Funds and Accounts created and established by the Indenture and the Series Supplemental Indenture;

(x) any Series Reserve Requirement with respect to Bonds other than Subordinate Bonds, the extent to which the Series Reserve Requirement may be met by a Cash Equivalent or accumulated over time, the amounts, including proceeds of the Bonds of such Series, which shall be deposited in the Series Reserve Account or used to acquire a Cash Equivalent for deposit in the Series Reserve Account and any limitation on investments of the Series Reserve Account;

(xi) the Series Program Determinations, if any;

(xii) whether there shall be any Derivative Agreement with respect to the Series of Bonds, the extent to which the related Derivative Payments by the counterparty are to be included in Revenues and whether the Derivative Payments by the Authority are to be payable from amounts in the Revenue Fund;

(xiii) whether the Series of Bonds shall be Subordinate Bonds;

(xiv) any instruments to be deposited with the Trustee pursuant to the Indenture; and

(xv) any other provisions deemed advisable by the Authority not in conflict with the provisions of the Indenture.

Except as expressly provided in a Series Supplemental Indenture, the Authority may from time to time supplement or amend a Series Supplemental Indenture without consent of Owners of Bonds to amend or supplement any provisions in a Series Supplemental Indenture for the Series Reserve Requirement, the payment and security for Derivative Payments on a Derivative Agreement relating to that Series of Bonds from the Revenue Fund and the extent to which Derivative Payments with respect to that Series of Bonds are to be treated as Revenues, the use of Cash Equivalents in the Reserve Fund, Supplemental Coverage, Permitted Investments or the Series Program Determination, but only upon filing a Rating Certificate.

Funds and Accounts

The following Funds and Accounts are established, each of which other than the Acquired Development Fund, shall be held by the Trustee:

Program Fund
    Series Program Accounts
Revenue Fund
    Debt Service Account
    Special Receipts Account
    Redemption Account
    Subordinate Bond Accounts
Reserve Fund
Acquired Development Fund
Rebate Fund
    Series Rebate Accounts

Additional Funds and Accounts may be created and designated in Series Supplemental Indentures. The full designation of each such Fund and Account shall include the term "Illinois Housing Development Authority Housing Bonds," which term shall precede the designation as set forth above. Each such Fund and Account shall be held by the Trustee (other than the Acquired Development Fund), in trust, separate and apart from all other funds of the Authority, for the purposes provided in the Indenture. In Series Supplemental Indentures, the Authority may provide for the deposit of amounts in Funds and Accounts, which amounts shall be subject to the pledge, assignment, lien and security interest of the Indenture in the amounts and for the purposes and period of time set forth in the applicable Series Supplemental Indenture.

Program Fund. For each Series of Bonds there shall be a Series Program Account in the Program Fund. Except as may be provided by a Series Supplemental Indenture for Subordinate Bonds, amounts received upon the sale of a Series of Bonds shall be deposited in the Program Fund and credited to the related Series Program Account in the amount, if any, provided in the applicable Series Supplemental Indenture. In addition, amounts shall be deposited in the Program Fund from the Revenue Fund as described below and shall be credited to the Series Program Account as specified in the Authority Request directing the transfer. Amounts available from or upon the refunding of Obligations shall be deposited in Funds and Accounts as provided in the applicable Series Supplemental Indenture. For a series of bonds issued as convertible option bonds there may be a Series Program Account (COB Rate Period) and a Series Program Account (Fixed Rate Period) as provided in the Series Supplemental Indenture. Amounts in a Series Program Account shall be used to pay Costs of Issuance of the related Series of Bonds, or to reimburse the Authority for Costs of Issuance, in either case in the amount specified in or pursuant to the Series Supplemental Indenture, upon a requisition stating generally the nature and amount of those Costs of Issuance signed by an Authorized Representative. Amounts in Series Program Accounts other than amounts used or to be used to pay Costs of Issuance shall be applied by the Trustee to finance the purposes for which such Series of Bonds were issued as specified in the Series Supplemental Indenture.

The Trustee shall transfer unexpended amounts in a Series Program Account to the Revenue Fund to the credit of the Redemption Account, or to the Reserve Fund, in either case as specified by an Authority Request. The Trustee shall transfer amounts from the Program Fund to the Debt Service Account as described below or to the Rebate Fund upon an Authority Request. The Trustee shall transfer amounts in a Series Program Account for Bonds refunded in whole or in part by Bonds to the Series Program Account for the refunding Bonds, if so directed by the Series Supplemental Indenture for the refunding Bonds.

Revenue Fund. The Authority shall immediately transfer all Revenues received by it, other than Acquired Development Operating Income, to the Trustee. Acquired Development Operating Income shall be deposited in the Revenue Fund as described below under the subcaption "*Acquired Development Fund*." All Revenues received by the Trustee shall be deposited in the Revenue Fund. The Trustee shall transfer to and deposit in the Revenue Fund all amounts transferred to it from the Program Fund as described above under the subcaption "*Program Fund"* or from the Reserve Fund as described below under the subcaption *"Reserve Fund"* and shall credit those amounts to the Accounts as specified in those descriptions. Amounts received upon the sale of a Series of Bonds shall be deposited in the Revenue Fund in the amount, if any, provided in the applicable Series Supplemental Indenture, for credit to the Debt Service Account to pay debt service as specified in the Series Supplemental Indenture.

The Authority shall identify and notify the Trustee in writing of the amount of any Revenues that are Acquired Bond Redemption Receipts, Loan Prepayments or Recovery Payments. Those Revenues shall be credited to the Special Receipts Account. Except as may be limited by a Series Supplemental Indenture, amounts in the Special Receipts Account may be transferred at any time upon an Authority Request to the Redemption Account, the Debt Service Account or, upon filing with the Trustee a Cash Flow Certificate, any Series Program Account.

All Derivative Payments with respect to any Subordinate Bonds shall be credited to the related Subordinate Bond Account of the Revenue Fund.

At any time, upon Authority Request, the Trustee shall apply amounts in the Revenue Fund not credited to any Account in the Fund to pay the accrued interest portion of the cost of acquiring any Loan or Acquired Bond consistent with the related Series Supplemental Indenture.

Upon their receipt, the Authority shall notify the Trustee as to any amounts which have been received for accrued interest with respect to Loans made or acquired, or Acquired Bonds acquired, from amounts which were expended from a Series Program Account (to the extent not so funded from a transfer from the Revenue Fund). The Trustee shall transfer those amounts to the credit of the applicable Series Program Account.

On or prior to each debt service payment date for the Bonds (or any due date of Derivative Payments by the Authority) the Trustee shall credit or transfer all amounts in the Revenue Fund not in any Account in the Revenue Fund to the credit of Funds and Accounts, in the following priority:

(1) credit to the Debt Service Account, an amount sufficient, together with amounts on deposit in that Account, timely to pay interest and principal, at maturity or mandatory redemption, due on such debt service payment date on the Bonds, other than Subordinate Bonds, to pay any fees in connection with tender option features, letter of credit, standby bond purchase agreements and other forms of credit or liquidity related to such Bonds as set forth in the Series Supplemental Indenture or a Supplemental Indenture and to pay any Derivative Payments related to such Bonds (other than Subordinate

Bonds) due on such debt service payment date as set forth in the Series Supplemental Indenture or a Supplemental Indenture;

(2) transfer amounts to the Rebate Fund for Series Rebate Accounts for Bonds other than Subordinate Bonds as set forth in an Authority Request;

(3) pay Expenses specified in a Series Supplemental Indenture, or such other Expenses provided in an Authority Request accompanied by a Compliance Certificate or Cash Flow Certificate, as applicable;

(4) transfer to the Reserve Fund, an amount sufficient to cause the amount on deposit in that Fund, including Cash Equivalents permitted by a Series Supplemental Indenture, to equal the Reserve Requirement;

(5) credit to the Redemption Account an amount as specified in an Authority Request accompanied by a Compliance Certificate or Cash Flow Certificate, as appropriate;

(6) transfer to any Series Program Account in the Program Fund an amount as specified in an Authority Request accompanied by a Compliance Certificate or Cash Flow Certificate, as appropriate;

(7) credit to any Subordinate Bond Accounts, an amount sufficient together with amounts on deposit in that Account, established by a Series Supplemental Indenture for Subordinate Bonds, timely to pay interest and principal, at maturity or mandatory redemption, due on such succeeding debt service payment date on the Subordinate Bonds, to pay any fees in connection with tender option features, letters of credit, standby bond purchase agreements and other forms of credit or liquidity related to such Bonds as set forth in the Series Supplemental Indenture or a Supplemental Indenture and to pay any Derivative Payments related to such Bonds due on such debt service payment date as set forth in the Series Supplemental Indenture or a Supplemental Indenture, or to provide any reserve with respect to Subordinate Bonds; or

(8) pay to the Authority, for any other purpose authorized or required under the Act free and clear of the pledge and lien of the Indenture. No such payment shall be made except upon filing of a Compliance Certificate or Cash Flow Certificate, as appropriate.

In addition, at any time upon Authority Request, the Trustee shall apply amounts in the Revenue Fund not credited to any Account for the following purposes: (i) to make required arbitrage rebates together with amounts in the Rebate Fund to the United States as required by the Code, (ii) to the purchase of Bonds at the times, in the manner and for the purposes set forth below, and (iii) to pay Expenses, upon filing a Compliance Certificate or a Cash Flow Certificate.

Debt Service Account. The Trustee shall, on each principal and interest payment date, withdraw from the Debt Service Account and pay to the Master Paying Agent, if one is appointed and serving, by wire transfer (or other method of transfer acceptable to the Authority and the Master Paying Agent or as provided in Series Supplemental Indentures) the amounts required for making all payments then due from the Debt Service Account, as described above under the subcaption *"Revenue Fund."* The Trustee (or Master Paying Agent, if one is appointed and serving) shall remit by mail or as otherwise provided in the Series Supplemental Indentures to each Owner of Bonds, other than Subordinate Bonds, the amounts required for paying the interest on such Bonds as such interest becomes due and payable. Amounts for paying principal shall be held in trust by the Trustee (or Master Paying Agent, if one is appointed and serving) for paying that principal. The Trustee (or Master Paying Agent, if one is appointed and serving) shall remit to any credit or liquidity provider, as described above under the subcaption *"Revenue Fund,"* its fees in connection with such credit or liquidity arrangement. The Trustee (or Master Paying Agent, if one is appointed and serving) shall remit to the counterparty under a Derivative Agreement, as described above under the subcaption *"Revenue Fund,"* the Derivative Payments due to the counterparty under the Derivative Agreement. An Authorized Representative of the Authority shall advise the Trustee (or Master Paying Agent, if one is appointed and serving) in writing regarding the amount of any such liquidity fees and Derivative Payments and when payment is due.

Purchase of Bonds From Revenue Fund. Amounts on deposit in the Revenue Fund and not credited to any Account in it may be applied as applicable to the purchase of Term Bonds of each Series then Outstanding subject to Sinking Fund Installments on the next date in such year (ending January 1). Such payments are scheduled as described under this subcaption. The Trustee (or Master Paying Agent, if one is appointed and serving), upon an Authority Request, shall endeavor to purchase from such amounts the Term Bonds or portions of Term Bonds of each Series stated to mature on the next maturity date or to be redeemed pursuant to Sinking Fund Installments for Term Bonds of such Series then Outstanding, on the next such redemption date, in each case in the same year (ending January 1) at a price not to exceed the Redemption Price (plus accrued interest to the date of redemption) which would be payable on the next redemption date to the Owners of such Term Bonds under the provisions of the applicable Series Supplemental Indenture if such Term Bonds or portions of Term Bonds should be called for redemption on such date.

Subject to applicable law, notwithstanding the maximum purchase price set forth in the prior paragraph, if the investment earnings on the money in the Revenue Fund and not credited to any Account in it available for such a purchase shall be less than the interest accruing on the Bonds to be redeemed on such date from such Sinking Fund Installment, then the Trustee (or Master Paying Agent, if one is appointed and serving) may pay a purchase price for any such Bond in excess of the Redemption Price which would be payable on the next redemption date to the Owner of such Bond under the provisions of the applicable Series Supplemental Indenture if an Authorized Representative certifies to the Trustee and the Master Paying Agent that the amount paid in excess of such Redemption Price is expected to be less than the interest which is expected to accrue on the Bond less any investment earnings on such available money during the period from the settlement date of the proposed purchase to the redemption date. The Trustee shall pay the interest accrued on such Term Bonds or portions of Term Bonds to the date of settlement for the Term Bonds from the Revenue Fund. No such purchase of a Bond shall be made by the Trustee after the giving of notice of redemption as to that Bond by the Trustee. Purchased Bonds shall be cancelled by the Trustee.

Subordinate Bond Account(s). Amounts on deposit in the Revenue Fund to the credit of any Subordinate Bond Account(s) shall be applied as provided in the Series Supplemental Indenture authorizing those Bonds.

Use of Amounts in Redemption Account. The Trustee shall apply money in the Redemption Account for the purchase or redemption of Bonds as follows:

(1) The Trustee (or Master Paying Agent, if one is appointed and serving), upon Authority Request accompanied by evidence that a Compliance Certificate or a Cash Flow Certificate, as appropriate, has been filed with the Trustee, shall endeavor to purchase, from such amounts, Bonds or portions of Bonds then Outstanding, whether or not such Bonds or portions of Bonds shall then be subject to redemption, at a price not to exceed the Redemption Price (plus accrued interest, if any, to the date of redemption) which would be payable on the next redemption date to the owners of such Bonds if such Bonds or portions of Bonds should be called for redemption. Such maximum purchase price may be exceeded as described above under "*Purchase of Bonds From Revenue Fund.*" The interest accrued on such Bonds to the date of settlement shall be paid from the Debt Service Account or the Revenue Fund (not credited to any Account in it), but no such purchase shall be contracted for by the Trustee (or Master Paying Agent, if one is appointed and serving) after the Trustee (or Master Paying Agent, if one is appointed and serving) has given notice that such Bonds have been called for redemption except from money other than the money set aside in the Redemption Account or other Account established by Series Supplemental Indenture for the redemption of such Bonds.

(2) The Trustee (or Master Paying Agent, if one is appointed and serving), upon Authority Request accompanied by evidence that a Compliance Certificate or Cash Flow Certificate, as appropriate, has been filed with the Trustee, shall call Bonds for redemption, on the earliest practicable date on which those Bonds are subject to redemption, from money in the Redemption Account, and, with respect to interest on such Bonds payable upon redemption, the Debt Service Account or the Revenue Fund (not credited to any Account in it).

(3) Upon an Authority Request, amounts in the Redemption Account not required for redemption of Bonds for which notice of redemption has been given or for payment of a contract for purchase of Bonds, shall be transferred to any Account of the Program Fund, upon filing with the Trustee either a Compliance Certificate or Cash Flow Certificate, if appropriate, or to the Revenue Fund and not in an account.

*Reserve Fund***.** The Authority shall deposit amounts in the Reserve Fund as provided in the Series Supplemental Indentures and as described above under the subcaptions *"Program Fund"* and *"Revenue Fund."* The Trustee shall transfer money held in the Reserve Fund to the Debt Service Account, as described below under the subcaption *"Debt Service Account,"* to be applied to pay the principal of and interest on the Bonds other than Subordinate Bonds or payments under Derivatives relating to Bonds, other than Subordinate Bonds, to the extent no other funds (other than the Program Fund) are available for that purpose. Amounts held in the Reserve Fund as of any date in excess of the Reserve Requirement, taking into account any Cash Equivalents in the Reserve Fund, shall upon an Authority Request, be transferred to the Revenue

Fund or a Series Program Account, unless otherwise provided in the Series Supplemental Indenture. A Series Supplemental Indenture may provide that the Series Reserve Requirement with respect to the applicable Series of Bonds may be funded in whole or in part through Cash Equivalents.

Deficiencies in Debt Service Account. In the event that amounts in the Debt Service Account are insufficient on any interest payment date or principal payment date to pay the principal of and interest on the Bonds (but only for Bonds other than Subordinate Bonds) due and unpaid on such date, whether at the stated payment or maturity date or by the retirement of such Bonds in satisfaction of the Sinking Fund Installments, the Trustee shall withdraw amounts from the following Funds and Accounts in the following order of priority to the extent necessary to eliminate such deficiency:

(a) Revenue Fund (not credited to any Account);
(b) Special Receipts Account;
(c) Redemption Account;
(d) Reserve Fund; and
(e) Program Fund.

No amounts on deposit in the Revenue Fund being held to pay the Redemption Price of Bonds called for redemption or purchase shall be used for such purpose to the extent that such amounts have been set aside for the payment of Bonds which have been identified for purchase or called for redemption, and no amounts on deposit in any Series Program Account shall be used for such purpose to the extent that the Authority is contractually obligated to finance identified Loans or Acquired Bonds or other purposes acceptable for financing with amounts on deposit in that Series Program Account.

Acquired Development Fund. The Acquired Development Fund shall be held by the Authority. It shall be held separate and apart from all other funds and accounts of the Authority and investments of the Acquired Development Fund shall not be commingled with any other investments of the Authority. All Acquired Development Receipts shall be deposited in and held in the Acquired Development Fund and may be used to pay Acquired Development Expenses.

The Authority at any time may, and not less than two days prior to the date any interest or principal payments or Derivative Payments are due on or with respect to any Bonds, other than Subordinate Bonds, shall, transfer all Acquired Development Operating Income to the Revenue Fund.

Rebate Fund. The Rebate Fund shall be used to make arbitrage rebate payments as provided by Authority Request or, to the extent determined by the Authority not to be needed for that purpose, shall be transferred to the Revenue Fund, upon Authority Request.

Security for Deposits and Investment of Funds

Any and all money held by the Trustee or the Master Paying Agent under the Indenture, except as otherwise expressly provided in the Indenture, shall be held in trust, shall be applied only in accordance with provisions of the Indenture and shall not be subject to any lien, charge or attachment by any creditor of the Authority.

All money deposited with the Trustee in any Account or Fund created under the Indenture shall, until invested in Permitted Investments as described below, to the extent such deposits are in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency, be continuously secured for the benefit of the Authority and the Owners of the Bonds either (i) by lodging with a bank or trust company selected by the Authority as custodian, or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit as collateral security, Government Obligations or, with the approval of the Trustee, other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States of America, having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit or (ii) if the furnishing of security as provided in clause (i) of this paragraph is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. However, it shall not be necessary, except as otherwise provided in the Indenture, for the Trustee to give security for any money which shall be represented by obligations purchased under the provisions of the Indenture as an investment of such money.

All money deposited with the Trustee pursuant to the Indenture shall be credited to the particular Account or Fund to which such money belongs.

Money deposited with the Trustee under the Indenture shall, as nearly as is practicable, be fully and continuously invested or reinvested by the Trustee upon the direction of an Authorized Representative (promptly confirmed by delivery of an Authority Request) in Permitted Investments which shall be in such amounts and bear interest at such rates that sufficient money will be available to pay the principal and interest due on the Bonds and to make required Derivative Payments and shall mature, or which shall be subject to redemption by the holder at the option of the holder, such that sufficient money will be available for the purposes intended. The Trustee may conclusively rely on such an investment direction with respect to the suitability and legality of such investments, in accordance with the terms of the Indenture. The Trustee upon receipt of an Authority Request shall sell Permitted Investments and reinvest the proceeds in Permitted Investments meeting the requirements of the Indenture or apply the proceeds as provided in the Indenture.

Any Permitted Investments so purchased in any Account or Fund shall be deemed at all times to be part of such Account or Fund. Except as may be provided in a Series Supplemental Indenture with respect to a Series Program Account, any interest paid on the investment in any Account or Fund (except the Rebate Fund and the Acquired Development Fund) shall be credited to the Revenue Fund and shall be treated as Revenues. Any interest paid on the investment of the Rebate Fund shall be credited to the Rebate Fund and interest paid on the investment of the Acquired Development Fund shall be paid to that Fund. Any profit or loss resulting from an investment shall be credited to or charged against the applicable Account or Fund of which it is an investment. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide money to meet any payment or transfer from any such Account or Fund. The Trustee when authorized by an Authorized Representative may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and trade with itself in the purchase and sale of securities for such investment. Neither the Trustee nor the Authority shall be liable or responsible for any loss resulting from any such investment.

For the purposes of making any investment, the Trustee may consolidate money in any Fund or Account with money in any other Fund or Account and may transfer an interest in an investment from one Fund or Account to another without liquidating the investment.

Except as may be provided in a Series Supplemental Indenture with respect to the Reserve Fund, in computing the amount on deposit to the credit of any Account or Fund, Permitted Investments in such Account or Fund shall be valued at Amortized Value plus the amount of interest on such obligations purchased with money in such Account or Fund.

Although the Authority recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Authority agrees that confirmations of investments made by the Trustee as described above are not required to be issued by the Trustee for each month in which a monthly statement is rendered pursuant to the Indenture. No such statement need be rendered pursuant to the provisions described above if no activity occurred in the fund or account during such preceding month.

Rating Certificates, Compliance Certificates and Cash Flow Certificates

Prior to taking any of the following actions the Authority shall file with the Trustee a Rating Certificate:

(i) issuing any Series of Bonds (except no Rating Certificate is required for the initial Series of Bonds);

(ii) making certain supplements or amendments to a Series Supplemental Indenture including, without limitation, the Series Reserve Requirement, the payment and security for Derivative Payments under a Derivative Agreement, the use of Cash Equivalents in the Reserve Fund, Supplemental Coverage, Permitted Investments or Series Program Determinations;

(iii) entering into any Derivative Agreement relating to any Series of Bonds after the date of issuance of such Bonds;

(iv) remarketing any Bonds in connection with a change in tender period except as required at the time of their issuance;

(v) releasing the pledge, assignment, lien or security interest of the Indenture in Loans or Acquired Bonds.

Prior to taking any of the following actions, the Authority shall file with the Trustee either a Compliance Certificate or a Cash Flow Certificate, as appropriate:

(i) any purchase or redemption of Bonds (other than mandatory redemption pursuant to Sinking Fund Installments and purchases of Bonds from amounts on deposit in the Revenue fund as described above);

(ii) certain withdrawals of amounts from the Revenue Fund free and clear of the pledge and lien of the Indenture (as described in clauses (3), (5), (6) or (8) under the subcaption *"Revenue Fund"* above);

(iii) any amendment, encumbrance, sale or other disposition of any Loan or Acquired Bond not in default or any restructuring or compromising of any Loan;

(iv) any use of Acquired Bond Redemption Receipts, Prepayments or Recovery Payments for any use other than purchase or redemption of Bonds or payment of scheduled debt service; or

(v) any material change in any operating policies or assumptions set forth in the most recent Cash Flow Certificate.

A Compliance Certificate with respect to any action is a certificate of an Authorized Representative stating that the action complies with the operating policies of the Authority as set forth in the then current Cash Flow Certificate.

A Cash Flow Certificate is a Certificate of an Authorized Representative stating that, as shown in the cash flow projections included in the Certificate and based upon the assumptions stated in the Certificate, there will at all times be available sufficient amounts in the Funds and Accounts, timely to pay all principal of and interest on the Bonds and make Derivative Payments under the assumptions stated in the Certificate for each set of then current cash flow scenarios. Except as provided in the Series Supplemental Indenture, a Cash Flow Certificate for Bonds that are not Subordinate Bonds need only show the sufficiency of amounts so as to pay debt service and to make Derivative Payments for Bonds that are not Subordinate Bonds. The Cash Flow Certificate must include projections of the amounts available for payment of debt service on Bonds and of Derivative Payments under the assumptions stated in the Certificate for each then current cash flow scenario and the assumptions used in computing the projections.

The Cash Flow Certificate shall set forth various cash flow scenarios, that is, sets of stated assumptions including, without limitation, the following:

(i) the timing and amounts of prepayments;

(ii) the timing and amounts of the receipt of payments of scheduled principal of and interest on Loans and Acquired Bonds;

(iii) the investment return on Funds and Accounts;

(iv) availability of amounts in the Reserve Fund;

(v) Expenses to be paid; and

(vi) the form of any Supplemental Coverage.

The Cash Flow Certificate shall also include a set of operating policies setting forth rules or limitations to be followed with respect to discretionary activities of the Authority under the

Indenture and Series Supplemental Indentures. Cash flow projections shall take into account the financial position of the Loans and Acquired Bonds as of the stated date of the projection, shall be consistent with the Indenture and the Series Supplemental Indentures and shall assume compliance with the operating policies set forth in the Cash Flow Certificate and the various Series Program Determinations.

A copy of each Cash Flow Certificate and Compliance Certificate filed with the Trustee shall also be provided to each Rating Agency prior to the Authority taking any of the actions for which a Cash Flow Certificate or Compliance Certificate is required as described in clauses (i) – (vi) above under the second paragraph of this caption and, for actions described in clause (ii) and (iii) above under the second paragraph of this caption at least ten days prior to taking such action.

Covenants Relating to Loans and Acquired Bonds

Notwithstanding any pledge, assignment or grant of a lien on or security interest in any Loan or Acquired Bonds, the Authority shall have the right, if no Event of Default exists, and covenants to enforce all its rights and obligations under and pursuant to the Loans and the Acquired Bonds as necessary to obtain payment of amounts to be paid to the Trustee as due and to comply with the Act and all covenants with regard to federal income taxation of interest on Bonds, and agrees that the Trustee, in the name of the Authority, upon an Event of Default may enforce all rights of the Authority under and pursuant to the Loans and the Acquired Bonds for and on behalf of the Bondowners pursuant to the Indenture. The Trustee shall be under no obligation to service Loans itself, but shall use its best efforts at the expense of the Authority to obtain servicing for the Loans to the extent that the Authority informs the Trustee in writing, or the Trustee concludes upon an Event of Default, that the Authority is unable to perform or obtain such servicing.

Certain Other Covenants

Among other covenants made by the Authority in the Indenture are those related to the following matters:

Maintenance of Security. The Authority covenants that, except as otherwise expressly permitted by the Indenture as supplemented by Series Supplemental Indentures, it will not sell, convey, mortgage, encumber or otherwise dispose of the money or investments held for the credit of any Fund or Account created under the Indenture, or the Revenues.

Corporate Existence. The Authority shall at all times use its best efforts to maintain its corporate existence and to maintain, preserve and renew all its rights, powers, privileges and franchises, and it will comply with all valid acts, rules, regulations, orders and directions of any legislative, administrative or judicial body applicable to the Indenture and any Series Supplemental Indenture.

Books and Records. The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and applications of all money received by the Trustee under the Indenture, and such books shall be available for inspection by the Authority and any Bondowner during business hours, upon reasonable notice and under reasonable conditions. On or before the tenth business day of each month the Trustee shall furnish to the Authority a written statement of the Funds and Accounts held pursuant to the Indenture and any Series Supplemental Indenture. The Authority shall keep proper books of records and account for all its transactions, other than those recorded in the books maintained by the Trustee as described above, and such books shall be available for inspection by the Trustee and any Bondowner during business hours and upon reasonable notice.

*Annual Audit***.** The Authority shall annually, within 120 days of the end of each Fiscal Year, file with the Trustee and each Rating Agency a copy of its audited financial statements for its previous Fiscal Year, accompanied by the related report of an Accountant.

*Notice of an Event of Default***.** The Authority shall promptly notify the Trustee in writing of the occurrence of an Event of Default.

Defaults and Remedies

The Indenture declares each of the following events an "Event of Default":

(a) payment of interest on or the principal or Redemption Price of any of the Bonds is not made when due and payable; or

(b) default in the due and punctual performance of any other covenants or agreements contained in the Bonds or in the Indenture or any Series Supplemental Indenture and such default continues for 90 days after written notice requiring the default to be remedied, has been given to the Authority by the Trustee. The Trustee may give such notice in its discretion and shall give such notice at the written request of the owners of not less than 25 percent in aggregate principal amount of Bonds then Outstanding. However, if such default can be remedied, so long as following such notice the Authority is diligently taking actions to remedy such default, such default shall not be an Event of Default.

An Event of Default with respect to Subordinate Bonds is not an Event of Default on Bonds which are not Subordinate Bonds. For purposes of determining the percentages of Owners of Bonds as provided in the Indenture, only Bonds other than Subordinate Bonds shall be taken into account unless the Event of Default relates only to Subordinate Bonds in which case the percentage relates only to Subordinate Bonds. In the case of an Event of Default relating only to Subordinate Bonds any acceleration or other remedy shall relate only to Subordinate Bonds.

It shall not be an Event of Default for the Authority to fail to foreclose upon or otherwise to enforce its rights to payment under Loans to the extent the Authority applies other moneys (other than withdrawals from the Reserve Fund) sufficient to make all required payments due from the Debt Service Account.

Acceleration of Maturity. Upon the happening and continuance of any Event of Default under paragraph (a) above (except as may be limited in a Series Supplemental Indenture, as set forth in the last paragraph under "*Enforcement of Remedies*" below), then and in every such case the Trustee may and, subject to indemnification of the Trustee as described below, upon the written direction of the Owners of not less than 2/3 in aggregate principal amount of the

Outstanding Bonds and receipt of indemnification satisfactory to the Trustee shall, by notice in writing to, the Authority, declare the principal of all the Outstanding Bonds (if not then due and payable) to be due and payable immediately. Upon such declaration, the principal of all Outstanding Bonds shall become immediately due and payable, anything contained in the Bonds or in the Indenture to the contrary notwithstanding. However, if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under the Indenture, money shall have accumulated in the Debt Service Account sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Outstanding Bonds (except the principal and interest of any Bonds which have become due and payable by reason of such declaration and except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date), and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and the Authority and all other amounts then payable by the Authority under the Indenture have been paid or a sum sufficient to make that payment has been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement or provision contained in the Bonds or in the Indenture (except a default in the payment of the principal of such Bonds then due and payable only because of a declaration under this paragraph) has been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than 2/3 in aggregate principal amount of the Outstanding Bonds not then due and payable by their terms shall, by written notice to the Authority, rescind and annul such declaration and its consequences. No such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent to it. If an Event of Default applies to Bonds other than Subordinate Bonds then any reference under this subcaption to Bonds is to Bonds that are not Subordinate Bonds. If an Event of Default applies to Subordinate Bonds, then reference under this subcaption to Bonds is to Subordinate Bonds.

*Enforcement of Remedies***.** Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written direction of the Owners of not less than 25 percent in aggregate principal amount of the Outstanding Bonds shall proceed, subject to indemnification of the Trustee as described below, to protect and enforce its rights and the rights of the Bondowners under applicable laws or under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Indenture the Trustee shall be entitled (i) to sue for, enforce payment of and recover judgment for, in its own name as Trustee of an express trust, any and all amounts then or after any default becoming, and at any time remaining, due from the Authority for unpaid principal, premium, if any, interest or otherwise under any of the provisions of the Indenture or the Bonds, with, to the extent permitted by the applicable law, interest on overdue payments of principal of and interest at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and (ii) to recover and enforce any judgment or decree against the Authority, but solely as provided in the Indenture, the Series Supplemental Indenture and the Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect, in any manner provided by law, the money adjudged or decreed to be payable.

Pro Rata Application of Funds

Notwithstanding anything in the Indenture to the contrary, if at any time the money in the Funds and Accounts (other than the Rebate Fund) maintained under the Indenture is not sufficient to pay the principal of or interest on the Bonds as they become due and payable (either by the terms of the Bonds or by acceleration of maturities as described above) such money, together with any money then or later available for such purpose, whether through the exercise of the remedies provided for in the Indenture or otherwise, shall be applied, following the satisfaction of any payments due to the Trustee under the indemnity provisions of the Indenture and payment of such Expenses as the Trustee concludes shall enhance the value of the Trust Estate, as follows:

(a) If the principal of all the Bonds (other than Subordinate Bonds) has not become or has not been declared due and payable, all such money shall be applied:

first: to the payment of all installments (except interest on overdue principal) of interest on Bonds, other than Subordinate Bonds, then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, on Bonds other than Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, other than Subordinate Bonds;

second: to the payment of the unpaid principal of any of the Bonds, other than Subordinate Bonds, which have become due and payable (except Bonds other than Subordinate Bonds called for redemption for the payment of which, money is held pursuant to the provisions of the Indenture) in the order of their stated payment dates, with interest on the principal amount of such Bonds, other than Subordinate Bonds, at the respective rates specified in such Bonds from the respective dates upon which such Bonds, other than Subordinate Bonds, became due and payable, and, if the amount available is not sufficient to pay in full the principal of the Bonds, other than Subordinate Bonds, by their stated terms due and payable on any particular date together with such interest, then (1) to the payment first of such interest, ratably, according to the amount of such interest due on such date, and (2) to the payment of such principal, ratably, according to the amount of such principal due on such date, of Bonds, other than Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, other than Subordinate Bonds;

third: to the payment of the interest on and the principal of the Bonds, other than Subordinate Bonds, to the purchase and retirement of Bonds, other than Subordinate

Bonds, and to the redemption of the Bonds, other than Subordinate Bonds, all in accordance with the provisions of the Indenture regarding redemption;

fourth: to the payment of interest (except interest on overdue principal) on Subordinate Bonds then accrued and unpaid in the chronological order in which such installments of interest accrued and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, of Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds;

fifth: to the payment of the unpaid principal of any of the Subordinate Bonds which has become due and payable (except Subordinate Bonds called for redemption for the payment of which, money is held pursuant to the provisions of the Indenture) in the order of their stated payment dates, with interest on the principal amount of such Subordinate Bonds at the respective rates specified in such Subordinate Bonds from the respective dates upon which such Subordinate Bonds became due and payable, and, if the amount available is not sufficient to pay in full the principal of the Subordinate Bonds by their stated terms due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date on such Subordinate Bonds, and then to the payment of such principal, ratably, according to the amount of such principal due on such date, of Subordinate Bonds, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds;

sixth: to the payment of the interest on and the principal of the Subordinate Bonds, to the purchase and retirement of Subordinate Bonds and to the redemption of Subordinate Bonds.

(b) If the principal of all the Bonds has become or has been declared due and payable, all such money shall be applied first, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Bonds which are not Subordinate Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Bond which is not a Subordinate Bond over any other Bond which is not a Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to the respective rates of interest specified in the Bonds which are not subordinated Bonds, and second, to the payment of the principal and premium, if any, and interest then accrued and unpaid upon the Subordinate Bonds, without preference or priority of principal over interest or of interest over principal, or of any daily accrual of interest over any other daily accrual of interest, or of any Subordinate Bond over any other Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to the respective rates of interest specified in the Subordinate Bonds.

(c) If the principal of all the Bonds has been declared due and payable and if such declaration has been rescinded and annulled as described above under the subcaption *"Acceleration of Maturity,"* then, subject to the provisions of subparagraph (b) above, if the principal of all the Bonds later becomes or is declared to be due and payable, the money remaining in and later accruing to the Debt Service Account, any Subordinate Bond Debt Service Account of the Revenue Fund and the Reserve Fund, together with any other money held by the Trustee under the Indenture, shall be applied in accordance with the provisions of subparagraph (a) above.

The provisions of subparagraphs (a), (b) and (c) above are in all respects subject to the provisions of the Indenture that provides that neither the Trustee nor the Authority shall consent or agree directly or indirectly to extend the time for payment of the interest on any Bond. In case the time for the payment of the interest of any Bond shall be extended, whether or not such extension be by or with the consent of the Authority, such interest so extended shall not be entitled in case of default under the Indenture to the benefit or security of the Indenture unless the principal of and interest on all Outstanding Bonds (the time for the payment of interest which has not been extended) is paid in full.

Restrictions Upon Actions by Individual Bondowner

No Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or to enforce the Indenture or any Series Supplemental Indenture unless such Owner previously has given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than 15 percent in aggregate principal amount of the Bonds then Outstanding (other than Subordinate Bonds) have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred as a result, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy under it. However, notwithstanding the foregoing described provision, the Owners of not less than 25 percent in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Owners of Bonds. Except as otherwise above provided, no one or more Owners of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under it except in the manner provided in the Indenture. All suits, actions and proceedings at law or in equity shall be instituted and maintained in the manner provided and for the benefit of all Owners of such Outstanding Bonds. Any individual right of action or other right given to one or more of such Owners by law is restricted by the Indenture to the rights and remedies provided.

Notwithstanding the foregoing described provision, nothing shall affect or impair the right of any Bondowner to enforce the payment of the principal of and interest on that Owner's Bond, or obligation of the Authority to pay the principal of and interest on each Bond to its Owner at the time and place expressed in such Bond.

Limitations on Remedies for Series of Bonds

A Series Supplemental Indenture authorizing a Series of Bonds that are subject to bond insurance may provide limitations on remedies available with respect to those Bonds including, without limitation, acceleration of their maturity, without the consent of the bond insurer and may give the bond insurer rights of Owners of those Bonds with respect to remedies. See "Bond Insurer Provisions" below for certain information regarding the Authority's covenants to the Bond Insurer with respect to the Offered Bonds.

Trustee Entitled to Indemnity

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Indenture, or to enter any appearance or in any way defend in any suit in which it may be named as a defendant, or to take any steps in the execution of the trusts created or in the enforcement of any rights and powers, until it is indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity. In such case the Authority shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection with such action.

Limitation of Obligations and Responsibilities of Trustee

The Trustee shall be under no obligation (i) to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, (ii) to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur or (iii) to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall be under no obligation to record or file the Indenture, or any other security instruments and financing statements, or continuation statements with respect to it, except pursuant to directions from the Authority, in form and substance satisfactory to the Trustee, set forth in an Authority Request. The Trustee and the Master Paying Agent shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment by the Authority of the Indenture, or in respect of the validity of the Bonds or their due execution or issuance. The Trustee shall be under no obligation to see that any duties imposed upon the Authority or any party other than itself, or any covenants on the part of any party other than itself to be performed, are done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed. The Trustee and the Master Paying Agent may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above and the Trustee and the Master Paying Agent shall be entitled to advice of counsel concerning all matters of trusts and duties under the Indenture, and may pay reasonable compensation to any lawyer or agent retained by it under the Indenture. The Trustee and the Master Paying Agent may act upon the opinion or advice of an attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care or, if selected or retained by the Authority, approved by the Trustee in the exercise of such care. The Trustee and the Master Paying Agent shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

Compensation and Indemnification of Trustee

Subject to the provisions of any contract between the Authority and the Trustee relating to the compensation of the Trustee, the Authority shall pay, from the Trust Estate, to the Trustee reasonable compensation for all services performed by it and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts created and the performance of its powers and duties, and from such source only, shall indemnify and save the Trustee harmless against any liabilities, losses, damages, costs and expenses (including reasonable attorney's fees and expenses of the Trustee), causes of action, suits, claims, demands and judgments of any kind and nature which it may incur in the exercise and performance of its powers and duties. Payment of compensation for the Master Paying Agent shall be by separate agreement.

Resignation and Removal of Trustee

No resignation or removal of the Trustee or the Master Paying Agent and no appointment of a successor Trustee pursuant to the Indenture shall become effective until the acceptance of appointment by the successor Trustee. Subject to the foregoing, the Trustee may resign and thereby become discharged from the trusts, by notice in writing to be given to the Authority and mailed, first class, postage prepaid, to all Registered Owners of Bonds at their addresses as they appear on the registration books kept by the Trustee, not less than 60 days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee, if such new Trustee is appointed before the time limited by such notice and then accepts the trusts. No resignation of the Trustee shall be effective if an Event of Default, or any event which upon the passage of time would be an Event of Default has occurred and is continuing except upon the consent of Owners of a majority in principal amount of the Outstanding Bonds.

Subject to the first sentence of the prior paragraph, the Trustee may be removed at any time by an instrument or concurrent instruments in writing executed by the Owners of not less than a majority in principal amount of the Outstanding Bonds (other than Subordinate Bonds) and filed with the Authority. A facsimile copy of each such instrument shall be delivered promptly by the Authority to the Trustee. The Trustee may also be removed at any time for reasonable cause by any court of competent jurisdiction upon the application of Owners of not less than ten percent in aggregate principal amount of the Outstanding Bonds (other than Subordinate Bonds). The Trustee may be removed at any time by the Authority if an Event of Default, or any event which upon the passage of time would be an Event of Default, has not occurred and is continuing.

Appointment of Successor Trustee

If at any time the Trustee resigns, shall be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee is taken over by any governmental official, agency, department or board, the Authority shall appoint a successor and shall cause notice of such appointment to be mailed, first class, postage prepaid, to all registered Owners of Bonds at their addresses as they appear on the registration books kept by the Trustee. At any time within one year after any such resignation, removal, dissolution or incapacity has occurred, the owners of a majority in principal amount of the Outstanding Bonds (other than Subordinate Bonds), by an instrument or concurrent instruments in writing, executed by such Bondowners and filed with the Authority, may appoint a successor Trustee, which shall supersede any Trustee appointed by the Authority prior to that filing. Facsimile copies of each such instrument shall be delivered promptly by the Authority to the predecessor Trustee and to the Trustee so appointed by the Bondowners. If no appointment of a successor Trustee is made as described under this subcaption within ten days after the vacancy has occurred, the Owner of any Outstanding Bond or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may, after such notice, if any, as such court may deem proper and prescribed, appoint a successor Trustee. Any Trustee appointed under the Indenture shall be a bank or trust company having a principal corporate trust office in the State, duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having at the time of its appointment a combined capital and surplus aggregate not less than $45 million, as shown on its most recently published report of its financial condition.

Master Paying Agent

The Indenture provides that a Master Paying Agent may be appointed. During such time as there shall be a Master Paying Agent (i) the Master Paying Agent shall perform all duties of the Trustee under the Indenture with respect to the authentication, registration, transfer, exchange, and delivery of Bonds, the disposition of Bonds upon payment and the payment to Bondowners of principal and redemption price of and interest on Bonds, and (ii) all references in the Indenture and the Official Statement to the Trustee with regard to any such duties shall refer instead to the Master Paying Agent and in that regard reference to an office of the Trustee shall refer instead to the comparable office of the Master Paying Agent. The Trustee and Master Paying Agent shall cooperate to carry out their respective duties under the Indenture and shall provide the other with copies of all notices, reports and information necessary to the other.

Successor Master Paying Agent

The Master Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 120 days' written notice to the Authority and the Trustee. The Master Paying Agent may be removed at any time by an instrument filed with it and the Trustee and signed by an Authorized Officer of the Authority. Any successor Master Paying Agent shall be appointed by the Authority and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least $5 million and willing and able to accept the office of Master Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

Modifications of Resolutions and Outstanding Bonds

The Indenture provides procedures whereby the Authority may amend the Indenture or any Series Supplemental Indenture by adoption of a Supplemental Indenture.

The Authority and the Trustee may, from time to time and at any time, enter into Supplemental Indentures:

(a) to authorize the issuance of a Series of Bonds; or

(b) to cure any ambiguity or defect or omission in the Indenture; or

(c) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Trustee; or

(d) to include as Revenues or in the Trust Estate any additional amounts, receipts or property; or

(e) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Indenture which are not inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interest of the Bondowners; or

(f) to add to the covenants and agreements of the Authority in the Indenture additional covenants and agreements to be observed by the Authority or to surrender any right or power reserved to or conferred upon the Authority; or

(g) to modify any of the provisions of the Indenture in any respect whatever not otherwise set forth in clauses (a) - (l) of this paragraph, provided (i) such modification shall apply only to Series of Bonds issued after the effective date of the Supplemental Indenture and shall not materially adversely affect the interests of the owners of Bonds of any Series Outstanding on the effective date of the Supplemental Indenture or (ii) (A) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding and (B) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange for, or in place of, such Bonds; or

(h) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit, if presented, the qualification of the Indenture and any Supplemental Indenture under the Trust Indenture Act of 1939 or any similar federal statute then in effect or under any state Blue Sky Law; or

(i) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Indenture or a Series Supplemental Indenture; or

(j) to add to the definition of Permitted Investments pursuant to the last proviso of that definition; or

(k) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit a trustee (other than the Trustee) with respect to any Subordinate Bonds issued under the Indenture; or

(l) to make any other change which, in the judgment of the Trustee, does not materially adversely affect the interests of the Bondowners.

The Indenture and any Series Supplemental Indenture may be modified, supplemented or amended by a Supplemental Indenture in ways not described above, as set forth below. No such Supplemental Indenture shall be effective except upon the consent of (i) the Owner of greater than 50 percent in aggregate principal amount of Outstanding Bonds (other than Subordinate Bonds); (ii) if less than all of the Outstanding Bonds are affected, of the Owners of greater than 50 percent in principal amount of Bonds then Outstanding, other than Subordinate Bonds so affected and, if Subordinate Bonds are affected, 50 percent of the aggregate principal amount of the Subordinate Bonds so affected; and (iii) in case the terms of any Sinking Fund Installments are changed, of the Owners of greater than 50 percent in principal amount of the Outstanding Bonds of the particular Series and maturity entitled to such Sinking Fund Installments. However, without the consent of all adversely affected Bondowners, no Supplemental Indenture shall (a) change the terms of redemption or of the maturity of the principal of or the interest on any Bond, or (b) reduce the principal amount of any Bond or the redemption premium or the rate of interest on it, or (c) create or grant a pledge, assignment, lien or security interest of the Trust Estate, or any part of it, other than as created or permitted by the Indenture without the Supplemental Indenture, or (d) create a preference or priority of any Bond or Bonds over any other Bond or Bonds, except as may be permitted by the Indenture or (e) reduce the aggregate principal amount or classes of the Bonds required for consent to such Supplemental Indenture. If any such modification, supplement or amendment will by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Owners of those 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 paragraph. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Indenture if it adversely affects or diminishes the rights of the Owner of Bonds of such Series. The Trustee may in its discretion determine whether Bonds of any particular Series and maturity would be affected by any modification, supplement or amendment of the Indenture or a Supplemental Indenture and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds.

Defeasance

If the Authority pays or causes to be paid, or there is otherwise paid, to the Registered Owners of the Bonds then Outstanding, the principal, Redemption Price, if any, and interest to become due on them, at the times and in the manner stipulated in the Indenture and in the Series Supplemental Indentures, then the covenants, agreements and other obligations of the Authority to the Registered Owners of the Bonds shall be discharged and satisfied. In such event, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Indenture which are no longer required for the payment or redemption of Bonds not already then surrendered for such payment or redemption and shall assign, transfer and convey to the Authority all its interest in Acquired Bonds and Loans.

Bonds for the payment or redemption of which money has been set aside and held in trust by the Trustee or the related Master Paying Agent (through deposit by the Authority of funds for such payment or redemption or otherwise), 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 and with the effect expressed above. All Bonds shall, prior to their maturity or redemption date, be deemed to have been paid within the meaning of and with the effect expressed above if: (i) there is deposited with such Trustee or Master Paying Agent either money in an amount which is sufficient, or Government Obligations the principal of and interest on which when due will provide money which, without reinvestment, when added to the money, if any, deposited with such Trustee or Master Paying Agent at the same time, is sufficient to pay the principal of those Bonds at maturity, or on sinking fund installment dates for Term Bonds, or the principal, redemption premium, if any, and interest due and to become due on those Bonds on and prior to the redemption date or maturity date (or sinking fund installment dates for Term Bonds) of the Bonds, as the case may be; (ii) there is deposited with the Trustee a report of an Accountant verifying the sufficiency of the deposit; (iii) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Trustee(s) or Master Paying Agent(s) irrevocable instruction to give any required notice of redemption, which instruction the Trustee or Master Paying Agent has accepted in writing; and (iv) the Authority has received a Bond Counsel Opinion to the effect that the defeasance of the Bonds shall not cause interest on the tax-exempt Bonds to be included in "gross income" of the Registered Owners for federal income tax purposes if the Authority has covenanted in the Series Supplemental Indenture not to take such action.

Upon being defeased as provided above, Bonds shall continue to be payable as to principal, interest and redemption premium and to be subject to redemption, but shall have a claim for payment only with respect to the money or Governmental Obligations so held by the Trustee. The Authority may enter into an escrow agreement with the Trustee providing for funds to be so held.

Government Obligations, money deposited with the Trustee as described under this subcaption and principal or interest payments of any such Government Obligations shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal (at maturity or pursuant to Sinking Fund Installments), Redemption Price, if any, and interest on those Bonds, provided that any cash received from such principal or interest payments on such Government Obligations, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in principal amounts sufficient to pay when due the principal, redemption premium, if any, and interest to become due on those Bonds on and prior to such redemption date or maturity date of the Bonds, as the case may be.

Bond Insurer Provisions – Supplemental Indenture

The Authority covenants to the Bond Insurer, as follows:

(i) The Authority shall provide copies of all notices given to Bondowners and Rating Agencies under the Indenture and related Series Supplemental Indentures.

(ii) The Authority shall provide the Bond Insurer with a copy of each Cash Flow Certificate submitted to the Trustee**.**

(iii) The Bond Insurer shall have the same rights as Bondowners to inspect documents and receive reports.

(iv) The Bond Insurer shall receive written notice of the resignation or removal of the Trustee or appointment of a successor Trustee.

(v) If any action requires Bondholders' consent, consent of the Bond Insurer shall be required as well with respect to any consent by Owner of Offered Bonds.

(vi) The Bond Insurer shall be a party in interest in the Indenture and Series Supplemental Indentures, along with the Authority, the Trustee and the Bondholder.

(vii) No acceleration of any Offered Bonds may be made without the consent of the Bond Insurer.

(viii) No Additional Bonds may be issued except in compliance with the Indenture.

TAX MATTERS

Summary of Co-Bond Counsel Opinions

In the opinion of Ungaretti & Harris LLP and Hawkins, Delafield & Wood, Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Offered Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any Offered Bond for any period during which the Offered Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the Offered Bonds or a "related person." The interest on the Offered Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering its opinion, Co-Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Bonds, and Co-Bond Counsel have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code assure the exclusion of interest on the Offered Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Co-Bond Counsel, under existing statutes, interest on the Offered Bonds is exempt from Illinois income tax.

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Offered Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Offered Bonds, or under state and local tax law.

Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the Offered Bonds for purposes of Federal income taxation requires that (i) at least 40 percent of the units in the Development financed by the Offered Bonds be occupied during the "Qualified Project Period" (as defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60 percent of the median income for the area, and (ii) all of the units of the Development be rented or available for rental on a continuous basis during the Qualified Project Period. "Qualified Project Period" for a Development means a period commencing upon the later of (a) occupancy of ten percent of the units in the Development, or (b) the date of issue of the Offered Bonds and running until the later of (i) the date which is 15 years after occupancy of 50 percent of the units in the Development, (ii) the first date on which no tax-exempt private activity bonds issued with respect to that Development are outstanding, or (iii) the first date on which any assistance provided with respect to the Development under section 8 of the United States Housing Act of 1937 terminates.

In the event of noncompliance with the above requirements arising from events occurring after the issuance of the Offered Bonds, the Treasury Regulations provide that the exclusion of interest on the Offered Bonds from gross income for Federal income tax purposes will not be impaired if the Borrower takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by such Mortgagor.

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the Offered Bonds in order that interest on the Offered Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the proceeds of the Offered Bonds, yield and other limits regarding investment of the proceeds of the Offered Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the United States.

The Borrower must agree to at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the Offered Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Borrower will enter into a regulatory agreement with the Authority to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the procedures or certifications set forth therein, the remedies available to the Borrower and/or Offered Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for Federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the Offered Bonds is payable.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Offered Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of an Offered Bonds. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Offered Bonds.

As noted above, interest on the Offered Bonds is a preference item in determining the tax liability of individuals and corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. In addition, interest on the Offered Bonds must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Prospective owners of the Offered Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Offered Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service involving either the Offered Bonds or other tax-exempt bonds after the date of issuance of the Offered Bonds will not have an adverse effect on the tax-exempt status or the market price of the Offered Bonds.

LEGAL MATTERS

The approving opinion of Ungaretti & Harris LLP, Chicago, Illinois, and Hawkins, Delafield & Wood, New York, New York, Co-Bond Counsel, will be delivered with the Offered Bonds. The proposed form of that opinion is included in this Official Statement as Appendix D. Certain legal matters will be passed upon for the Authority by its General Counsel, Mary R. Kenney, Esq., and by its counsel, Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, and for the Underwriter by its counsel, Bell, Boyd & Lloyd LLC, Chicago, Illinois.

LITIGATION

The Authority is not engaged in and has not been threatened with any litigation of any nature which seeks to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds or which in any way contests the validity of the Offered Bonds or any proceedings of the Authority taken with respect to their issuance, remarketing or sale or the pledge or application of any moneys or the security provided for the payment of the Bonds, including the Offered Bonds, or which contests the existence of the Authority.

The Authority is a party to litigation incident to the conduct of its programs. The Authority is not engaged in and has not been threatened with any litigation with respect to its statutory powers or otherwise which in the judgment of the Authority is material to the performance of its programs or its obligations with respect to notes and bonds, including the Offered Bonds, of the Authority.

LEGALITY FOR INVESTMENT

Under the Act, the Offered Bonds, in the State, are securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, savings and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. State laws governing specific types of investors may, however, impose restrictions on such investors with respect to the legality of purchases of the Offered Bonds and may also contain limitations which permit purchases of the Offered Bonds only with specified percentages of their assets.

RATINGS

The Offered Bonds have received a long term rating of “AAA” from S&P and a long term rating of “Aaa” from Moody’s, with the understanding that upon delivery of the Offered Bonds, the Bond Insurance Policy insuring the payment when due of the principal of and interest on each series of the Offered Bonds will be issued by the Bond Insurer. Ratings assigned to the Offered Bonds reflect only the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the respective rating agencies. There is no assurance that the ratings which have been assigned to the Offered Bonds will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies if, in the judgment of the rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

UNDERWRITING

The Offered Bonds (other than the 2003 Series A Bonds maturing July 1, 2024, the 2003 Series A Bonds maturing July 1, 2029, the 2003 Series A Bonds maturing July 1, 2034, the 2003 Series A Bonds maturing July 1, 2039, the 2003 Series A Bonds maturing January 1, 2046 and the Series 2003 C Bonds maturing July 1, 2024, the Series 2003 C Bonds maturing July 1, 2029, and the Series 2003 C Bonds maturing July 1, 2034 (the "Placed Bonds")) are being purchased by the Underwriter listed on the cover page of this Official Statement. The Underwriter will agree to purchase the Offered Bonds (other than the Placed Bonds) at a purchase price (expressed as a percentage of the aggregate initial principal amount of the Bonds) of 100 percent pursuant to the terms of a purchase contract. The obligation to make such purchase is subject to certain terms and conditions and the approval of certain legal matters by counsel. The Underwriter will receive a fee of $140,842.39 (which includes $83,072.97 for the Bond Insurance Policy, Debt Service Reserve Fund Surety Bond Policy premium and Bond Insurer Counsel Fee that is being paid for by the Underwriter) in connection with the sale of the Offered Bonds (other than the Placed Bonds) and a fee of $441,654.97 (which includes $248,927.03 for the Bond Insurance Policy and Debt Service Reserve Fund Surety Bond Policy premium that is being paid for by the Underwriter) in connection with the placement of the Placed Bonds, both to be paid by the Authority. The Underwriter may offer and sell the Offered Bonds (other than the Placed Bonds) offered to the public to certain dealers (including dealers depositing the Offered Bonds (other than the Placed Bonds) into unit investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2003, included in Appendix A, have been audited by KPMG LLP, independent auditors, to the extent and for the period indicated in their report, which is also included in Appendix A.

As discussed in Note M to the basic financial statements, during 2003, the Authority changed its major fund financial statement presentation fund structure for proprietary funds. Additionally, during 2003, the Authority adopted Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures".

INVESTMENT POLICY

The Authority's management of funds under its control is governed by the Act and the Authority's Investment and Cash Management Policy, as amended from time to time. The Act permits the Authority to invest its funds in any investments as may be lawful for fiduciaries in the State of Illinois, for Illinois or nationally chartered banks and savings banks and fiduciaries subject to the Employment Retirement Income Security Act of 1974.

The Authority's Investment and Cash Management Policy (the "Investment Policy"), contains the following stated objectives:

- Safety of principal. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they be from securities defaults or erosion of market value.

- Liquidity. The investment portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements which may be reasonably anticipated in any fund.

- Maximum rate of return. The investment portfolio shall be designed with the purpose of regularly exceeding the average return of United States Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

In addition, the Investment Policy contains the following provision with respect to instruments commonly known as derivative securities:

- Leveraging agreements such as reverse repurchase agreements and derivative investments such as interest only strips and principal only strips of mortgage backed securities, inverse floaters, future contracts and options on future contracts, interest rate caps, floors, and swaps ("Derivatives") shall be purchased and used only in conjunction with interest rate risk management. Such leveraging agreement or Derivatives shall be matched with an underlying existing asset in the portfolio or employed in conjunction with a specific bond or note financing program and shall be used to offset or hedge a specific quantifiable risk to that underlying asset or bond or note financing program. These securities underlying such arrangement or agreement shall be Permitted Investments.

The preponderance of the Authority's investments are demand repurchase agreements concerning obligations of the United States or its agencies or direct investments in such obligations.

For additional information regarding the Authority's investments as of June 30, 2003, see "FINANCIAL STATEMENTS – Note C – Cash and Investments" attached as Appendix A.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with certain amendments to Rule 15c2-12 of the Securities and Exchange Commission, the Authority has agreed in the Offered Bonds Series Supplemental Indenture to provide to certain parties certain annual financial information and operating data and notices of certain material events. A summary of that portion of the Offered Bonds Series Supplemental Indenture containing the Authority's undertaking in this regard is included as Appendix E to this Official Statement. This undertaking may be enforced by any beneficial or registered owner of Offered Bonds, but the Authority's failure to comply with this undertaking will not be a default under the Indenture.

In addition, pursuant to the Indenture, the Authority has agreed to file with the Trustee, within 120 days after the close of each Fiscal Year, a copy of its audited financial statements for the previous Fiscal Year, accompanied by the related report of its independent public accountants.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Constitution of the State, the Act and the Indenture contained in this Official Statement do not purport to be complete and reference is made to the Constitution of the State, the Act and the Indenture for full and complete statements of their provisions. Copies, in reasonable quantity, of the Indenture may be obtained upon request directed to the Authority at 401 North Michigan Avenue, Suite 900, Chicago, Illinois 60611.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of facts. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Offered Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

/s/ Kelly King Dibble
Executive Director

APPENDIX A

FINANCIAL STATEMENTS

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

Financial Statements As of and For the Year Ended June 30, 2003

TABLE OF CONTENTS

303 East Wacker Drive
Chicago, IL 60601

Independent Auditors' Report

To the Honorable William G. Holland,
Auditor General of the State of Illinois,
and The Members of the Illinois
Housing Development Authority:

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Illinois Housing Development Authority (the Authority), a component unit of the State of Illinois, as of and for the year ended June 30, 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note M to the basic financial statements, during 2003, the Authority changed its fund structure for proprietary funds. Additionally, during 2003, the Authority adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Mortgage Loan Program Fund and Combining Single Family Program Fund Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining Mortgage Loan Program Fund and Combining Single Family Program Fund Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

October 28, 2003

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Illinois Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- Net assets of the Authority increased $42.0 million, to $605.3 million as of June 30, 2003, from increases in both the Authority's governmental ($37.1 million) and business-type ($4.9 million) activities.
- Operating income of the Authority's business-type activities declined $4.0 million from the prior year results as decreases in interest on program loans ($7.1 million) and investment income ($1.7 million), and an increase in the allowance for estimated losses ($1.0 million) were only partially offset by lower interest expense ($6.0 million).
- The Authority's debt outstanding of $1,782.9 million as of June 30, 2003 decreased $105.4 million from the amount outstanding as of June 30, 2002. Debt issuances for the year totaled $285.7 million.
- Loan originations for the year totaled $140.8 million and $49.7 million in the Authority's business-type and governmental activities, respectively.

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are Authority-wide financial statements that provide information about the Authority's overall financial position and operations. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.
- The remaining statements are fund financial statements of the Authority's two governmental funds, for which activities are funded primarily from State appropriations and for which the Authority follows a modified accrual basis of accounting, and of the Authority's major proprietary funds, which operate similar to business activities and for which the Authority follows an accrual basis of accounting.
- The basic financial statements also include a "Notes to Financial Statements" section, that explains some of the information in the Authority-wide and fund financial statements and provides more detailed data.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements. The prior year results referred to throughout this section for comparison purposes are as previously reported. All percentage variances shown are calculated based on un-rounded amounts.

The Authority-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the Authority's activities are business-type and are reported in its proprietary funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds and not the Authority as a whole. The Authority has two kinds of funds:

- Governmental funds – The Authority has two governmental funds. The Authority is the administrator of these funds, the revenues of which are appropriated to the Illinois Department of Revenue for the purpose of making housing grants and loans. These fund statements focus on how cash and other financial assets flowing into the funds have been used. Revenues converted to long-term loans comprise a substantial portion of the funds' net assets.
- Proprietary funds – The Authority's primary activities are in its proprietary funds, which activities are accounted for in a manner similar to businesses operating in the public sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are primarily used to make various types of loans to finance low and moderate-income housing. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes.

Financial Analysis of the Authority as a Whole

Net Assets. The combined net assets of the Authority increased by $42.0 million, or 7.4%, from the June 30, 2002 amount. The following table shows a summary of changes from prior year amounts.

Net Assets
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Inc. / (Dec.)	
	2003	2002	2003	2002	2003	2002	Amt	%
Cash & investments – unrestricted	$62.9	$68.8	$131.7	$144.2	$194.6	$213.0	$ (18.4)	(8.6)
Program loans receivable	8.2	5.7	35.8	38.1	44.0	43.8	.2	.4
Other current assets	(1.2)	(1.3)	17.2	18.1	16.0	16.8	(.8)	(4.9)
Total current assets	69.9	73.2	184.7	200.4	254.6	273.6	(19.0)	(7.0)
Investments - restricted			733.1	616.5	733.1	616.5	116.6	18.9
Net program loans receivable	251.3	210.7	1,319.0	1,518.7	1,570.3	1,729.4	(159.1)	(9.2)
Other assets	.4	.6	65.2	68.6	65.6	69.2	(3.6)	(5.1)
Total assets	321.6	284.5	2,302.0	2,404.2	2,623.6	2,688.7	(65.1)	(2.4)
Bonds and notes payable	-	-	138.8	49.5	138.8	49.5	89.3	180.2
Deposits held in escrow	-	-	150.5	142.0	150.5	142.0	8.5	6.0
Other current liabilities	-	-	85.0	95.2	85.0	95.2	(10.2)	(10.7)
Total current liabilities	-	-	374.3	286.7	374.3	286.7	87.6	30.5
Bonds & notes payable	-	-	1,644.0	1,838.7	1,644.0	1,838.7	(194.7)	(10.6)
Total liabilities	-	-	2,018.3	2,125.4	2,018.3	2,125.4	(107.1)	(5.0)
Net assets								
Invested in capital assets, net	-	-	.7	.7	.7	.7	-	9.8
Restricted	100.3	-	194.4	188.3	294.7	188.3	106.4	56.5
Unrestricted	221.3	284.5	88.6	89.8	309.9	374.3	(64.4)	(17.2)
Total net assets	$321.6	$284.5	$283.7	$278.8	$605.3	$563.3	$42.0	7.4

Governmental Activities

Net assets of the Authority's governmental activities increased $37.1 million, or 13.0% to $321.6 million. Total program loans receivable (current and non-current), which are funded by a portion of the State Real Estate Transfer Tax and federal funds and for which there is no repayment liability, increased by $43.1 million, or 19.9% to $259.5 million. Cash and investments decreased by $5.9 million, or 8.6% as loan and grant payouts, plus administrative expenses exceeded revenues and repayments of loans. State statute restricts the use of the Affordable Housing Trust Fund and the HOME programs to program activities. The Authority changed its classification of net assets of the HOME program to restricted in fiscal year 2003.

Business-type Activities

Net assets of the Authority's business-type activities increased $4.9 million, or 1.8% to $283.7 million. The increase primarily resulted from earnings of the Authority's various multi-family lending and other programs, partially offset by losses in the Authority's Single Family Program Fund. Cash and investments (current and non-current) increased $104.1 million, or 13.7% to $864.8 million, due primarily to rapid prepayments of loans within the Single Family Program. Program loans receivable (current and non-current) decreased $202.0 million, or 13.0% to $1,354.8 million due mainly to decreases ($182.2 million) in the Authority's Single Family Program Fund as loan prepayments exceeded loan originations. Total bonds and notes payable (current and non-current) decreased $105.4 million, or 5.6%, due to retirement of debt, both from scheduled and special redemptions, primarily within the Authority's Single Family Program Fund.

Restricted net assets of the Authority's business-type activities increased $6.1 million, or 3.2%. The increases in net assets within the Authority's various bond funds were $5.7 million, all of which are classified as restricted. The remaining restricted increases in net assets were from the FAF program, earnings of which are recorded in the Authority's Administrative Fund.

Statement of Activities

The statement of activities shows the sources of the Authority's changes in net assets as they arise through its various programs and functions. Two programs, the Illinois Affordable Housing Trust Fund and the HOME program, are shown as governmental activities, and six programs are shown as business-type activities. The business-type activities include two housing lending programs, the results of which are primarily recorded within the funds comprising the two major bond funds (the Mortgage Loan Program Fund and the Single Family Program Fund), federal assistance activities, which involve the allocation of various federal subsidy funds directly to certain of the Authority's borrowers, and the tax credit authorization and monitoring, preservation, and FAF lending programs, all of which activities are recorded in the Authority's Administrative Fund.

A condensed statement of activities for the fiscal year ended June 30, 2003 is shown in the following table.

Changes in Net Assets
(In millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues						
Charges for services	$2.7	$3.3	$132.2	$142.1	$134.9	$145.4
Tax/grant/federal revenues	19.0	26.9	158.2	156.5	177.2	183.4
General revenues:						
Investment income	-	-	2.6	4.3	2.6	4.3
Real estate transfer taxes	35.7	32.6	-	-	35.7	32.6
Total revenues	57.4	62.8	293.0	302.9	350.4	365.7
Expenses:						
Direct	15.1	13.8	281.6	286.1	296.7	299.9
Administrative	-	-	11.7	13.1	11.7	13.1
Total expenses	15.1	13.8	293.3	299.2	308.4	313.0
Excess (deficit) before transfers	42.3	49.0	(.3)	3.7	42.0	52.7
Transfers	(5.2)	(5.3)	5.2	5.3	-	-
Increase in net assets	$37.1	$43.7	$4.9	$9.0	$42.0	$52.7

Governmental Activities

Revenues of the Authority's governmental activities declined by $5.4 million from the prior year mainly from a decrease in federal program funds, which are used primarily to originate loans. A $3.1 million increase in real estate transfer taxes partially offset the above decrease in federal program funds. Direct expenses, which consisted of grants ($10.0 million), allocations of expenses incurred ($3.6 million) to administer the programs and provisions for estimated losses on program loans receivable ($1.5 million), increased $1.3 million over the prior year due to an increase in grants. The transfer ($5.2 million) from the governmental activities to the Authority's business-type activities represents an annual transfer, pursuant to the Illinois Affordable Housing Act, from the Illinois Affordable Housing Trust Fund to the Multi-Family Mortgage Loan Programs.

Business-type Activities

Revenues of the Authority's business-type activities declined $9.9 million from the prior year from a similar decrease in charges for services, which consist primarily of interest income on program loans ($94.1 million), program investment income ($23.9 million) and servicing fee and application fee income. Program investment income is that income earned within the Authority's bond funds, the investments and the income of which is restricted to those funds. Interest income on program loans accounted for most ($7.1 million) of the decrease compared to prior year.

Direct expenses of the Authority's business-type activities, which consist primarily of interest expense ($118.3 million) on Authority debt incurred to fund its various lending programs and the pass-through of federal assistance programs' funds ($158.2 million), declined $4.5 million from the prior year, primarily from lower interest expense ($6.0 million). The direct expenses also include Administrative Fund allocations of expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative expenses, which are incurred within the Authority's Administrative Fund and which includes all other administrative and supportive functions and all overhead expenses, was $1.4 million below the prior year, which included $1.1 million of non-recurring expense items.

The Authority's business-type activities also generated $2.6 million of unrestricted investment income, which was used primarily to partially offset its administrative costs. Program revenues of the Multi-Family Mortgage Loan Programs exceeded direct expenses by $13.3 million (See the Statement of Activities) and thus provided most of the Authority's increases in net assets. Direct expenses of the Single-Family Mortgage Loan Program exceeded program revenues by $7.3 million, as the Program was adversely affected by a high level of prepayments of higher coupon mortgage loans, which were then reinvested, prior to the redemption of underlying bonds, at rates lower than the underlying bond interest rates.

Proprietary Fund Results

Net assets of the Authority's proprietary funds increased from the June 30, 2002 amount by $4.9 million, or 1.8% to $283.7 million. The following table summarizes the statement of revenues, expenses and changes in net assets of the Authority's proprietary funds for the fiscal years ended June 30, 2003 and June 30, 2002.

Changes in Net Assets/Proprietary Funds
(In millions of dollars)

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total 2003	Total 2002	Inc. / (Dec) Amt	Inc. / (Dec) %
Operating revenues:							
Interest earned on program loans	$1.0	$49.8	$43.3	$94.1	$101.2	$(7.1)	(7.0)
Investment income	2.6	11.7	12.2	26.5	28.2	(1.7)	(6.2)
Federal assistance programs	151.2	5.8	-	157.0	156.5	.5	.3
Service fees	8.2	-	-	8.2	8.4	(.2)	(1.5)
Development fees	.6	-	-	.6	.1	.5	637.1
HUD savings	1.3	-	-	1.3	2.5	(1.2)	(46.4)
Other	2.4	2.9	-	5.3	6.0	(.7)	(12.7)
Total operating revenues	167.3	70.2	55.5	293.0	302.9	(9.9)	(3.2)
Operating expenses:							
Interest expense	-	57.6	60.7	118.3	124.3	(6.0)	(4.8)
Federal assistance programs	151.2	5.8	-	157.0	156.5	.5	.3
Salaries and benefits	10.4	-	-	10.4	9.9	.5	5.6
Professional fees	1.3	-	.1	1.4	1.7	(.3)	(19.9)
Other general and administrative	3.6	-	.2	3.8	4.7	(.9)	(19.7)
Financing costs	.4	.5	.5	1.4	2.1	(.7)	(34.3)
Provision for losses on program loans receivable	-	1.0	-	1.0	-	1.0	NA
Total operating expenses	166.9	64.9	61.5	293.3	299.2	(5.9)	(2.0)
Operating income	.4	5.3	(6.0)	(.3)	3.7	(4.0)	(108.1)
Transfers in (out)	(.2)	5.3	.1	5.2	5.3	(.1)	(2.8)
Change in net assets	.2	10.6	(5.9)	4.9	9.0	(4.1)	(45.5)
Net assets at beginning of year	110.7	123.3	44.7	278.8	269.8	9.0	3.3
Net assets at end of year	$110.9	$133.9	$38.8	$283.7	$278.8	$4.9	1.8

Interest earned on program loans decreased by $7.1 million, or 7.0% due primarily to decreases of $5.4 million within the Authority's Single Family Program Fund, due to lower loan amounts outstanding resulting from prepayments of higher yielding mortgage loans. Interest earned on program loans of the Authority's Mortgage Loan Program Fund also declined as the interest portion of debt service decreased, due to the scheduled amortizations of these loans.

Investment income decreased $1.7 million, or 6.2%, and primarily reflected both lower investment yields. The primary decreases in investment income were within the Mortgage Loan Program Fund ($1.6 million), and the Administrative Fund, which declined $1.6 million due mainly from lower investment yields. Investment income of the Single Family Program Fund increased $1.5 million and reflected increased investments held due to loan prepayments.

Investment income includes a $3.3 million increase to adjust investments to fair value compared to a $1.2 million similar adjustment for the prior year.

Interest expense decreased $6.0 million, or 4.8% due primarily to decreased debt outstanding within the Mortgage Loan Program Fund.

The fiscal year 2003 increase in net assets of the Administrative Fund of $.2 million was $3.5 million below the prior year increase, due primarily to decreased investment income ($1.7 million) and the absorption of administrative costs previously allocated to the Single Family Program Fund ($2.4 million), due to losses in the program.

Net assets of the Single Family Program Fund decreased $5.9 million, compared to a $5.6 million decrease of the prior year. Results continued to be adversely affected by a high rate of prepayments of higher coupon loans, the reinvestment of prepayments at rates below their underlying debt until the debt could be extinguished, and accelerations of the amortization of bond issuance and loan origination costs due to high prepayment rates.

Net assets of the Mortgage Loan Program Fund increased $10.6 million, slightly below the prior year's $10.9 million increase.

Authority Debt

Authority debt issuances during fiscal year 2003 totaled $285.7 million, with activity arising from the Single Family Program ($245.5 million), and Mortgage Loan Program Fund ($40.2 million). Total bonds and notes payable decreased $105.4 million as debt issuances were more than offset by retirements of debt, primarily special redemptions necessitated by a high level of mortgage prepayments within the Authority's Single Family Program. For additional information, see Note F, Bonds and Notes Payable in the Notes to Financial Statements.

During fiscal year 2003, the Authority's Standard & Poor's Ratings Services Issuer Credit Rating remained at A+.

(THIS PAGE INTENTIONALLY LEFT BLANK)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

STATEMENT OF NET ASSETS
As of June 30, 2003

ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Current Assets:			
Cash and cash equivalents	$ 3,500,158	35,596,148	39,096,306
Funds held by State Treasurer	32,580,021		32,580,021
Investments	26,832,514	96,151,691	122,984,205
Investment income receivable	32,000	9,114,398	9,146,398
Program loans receivable	8,219,000	35,802,000	44,021,000
Interest receivable on program loans	132,663	6,704,946	6,837,609
Interfund accounts receivable (payable)	(1,391,571)	1,391,571	
Total current assets	69,904,785	184,760,754	254,665,539
Noncurrent assets:			
Investments - Restricted		733,082,980	733,082,980
Program loans receviable, net of current portion	262,763,717	1,341,552,105	1,604,315,822
Less allowance for estimated losses	(11,500,000)	(22,565,000)	(34,065,000)
Net program loans receivable	251,263,717	1,318,987,105	1,570,250,822
Unamortized bond issuance costs		23,058,301	23,058,301
Real estate held for sale (net)		31,157,149	31,157,149
Capital assets (net)		703,202	703,202
Other	426,168	10,232,016	10,658,184
Total noncurrent assets	251,689,885	2,117,220,753	2,368,910,638
Total assets	$ 321,594,670	2,301,981,507	2,623,576,177
LIABILITIES			
Current liabilities:			
Bonds and notes payable	$	138,840,000	138,840,000
Accrued interest payable		39,120,746	39,120,746
Deposits held in escrow		150,446,579	150,446,579
Accrued liabilities and other		45,875,818	45,875,818
Total current liabilities		374,283,143	374,283,143
Noncurrent liabilities:			
Bonds and notes payable, net of current portion		1,644,042,816	1,644,042,816
Total liabilities	$	2,018,325,959	2,018,325,959
NET ASSETS			
Invested in capital assets (net)	$	703,202	703,202
Restricted for bond resolution purposes		172,740,906	172,740,906
Restricted for loan and grant programs	100,262,538	21,612,594	121,875,132
Unrestricted	221,332,132	88,598,846	309,930,978
Total net assets	$ 321,594,670	283,655,548	605,250,218

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

FUNCTIONS / PROGRAMS	Expenses	Program Revenues: Charges for Services and Interest Income	Program Revenues: Operating Grant/Federal Revenues	Net (Expenses) / Revenues and Changes in Net Assets: Governmental Activities	Net (Expenses) / Revenues and Changes in Net Assets: Business-type Activities	Net (Expenses) / Revenues and Changes in Net Assets: Total
Governmental activities:						
Illinois Affordable Housing Trust Fund	$ 7,748,196	1,845,673	500,000	(5,402,523)		(5,402,523)
HOME Program	7,387,746	898,405	18,467,260	11,977,919		11,977,919
Total governmental activities	15,135,942	2,744,078	18,967,260	6,575,396		6,575,396
Business-type activities:						
Administrative	11,704,683	20,992			(11,683,691)	(11,683,691)
Multi-Family Mortgage Loan Programs	60,778,810	74,067,920			13,289,110	13,289,110
Multi-Family Federal Assistance Programs	157,017,742		157,017,742			
Single-Family Mortgage Loan Programs	62,951,039	55,700,809			(7,250,230)	(7,250,230)
Tax Credit Authorization and Monitoring	666,908	2,267,385			1,600,477	1,600,477
Preservation	179,120	15,198			(163,922)	(163,922)
FAF Lending Program	1,026	119,665	1,195,572		1,314,211	1,314,211
Total business-type activities	293,299,328	132,191,969	158,213,314		(2,894,045)	(2,894,045)
Total Authority	$ 308,435,270	134,936,047	177,180,574	6,575,396	(2,894,045)	3,681,351
Real Estate Transfer Taxes				35,677,836		35,677,836
Unrestricted investment income					2,599,996	2,599,996
Transfers				(5,200,000)	5,200,000	
Total general revenues and transfers				30,477,836	7,799,996	38,277,832
Change in net assets				37,053,232	4,905,951	41,959,183
Net assets at beginning of year				284,541,438	278,749,597	563,291,035
Net assets at ending of year				$ 321,594,670	283,655,548	605,250,218

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

GOVERNMENTAL FUNDS
BALANCE SHEET
As of June 30, 2003

ASSETS	Illinois Affordable Housing Trust Fund	HOME Program Fund	Total
Current assets:			
Cash	$ 3,500,158		3,500,158
Funds held by State Treasurer	32,343,702	236,319	32,580,021
Investments	26,832,514		26,832,514
Investment income receivable	32,000		32,000
Program loans receivable	7,034,000	1,185,000	8,219,000
Interest receivable on program loans	70,746	61,917	132,663
Total current assets	69,813,120	1,483,236	71,296,356
Noncurrent assets:			
Program loans receivable, net of current portion	159,984,415	102,779,302	262,763,717
Less allowance for estimated losses	(7,500,000)	(4,000,000)	(11,500,000)
Net program loans receivable	152,484,415	98,779,302	251,263,717
Other		426,168	426,168
Total noncurrent assets	152,484,415	99,205,470	251,689,885
Total assets	$ 222,297,535	100,688,706	322,986,241
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Deferred revenue	$ 70,746	61,917	132,663
Due to other funds	965,403	426,168	1,391,571
Total current liabilities	1,036,149	488,085	1,524,234
Fund balances:			
Reserved for loans receivable	152,484,415	98,779,302	251,263,717
Unreserved	68,776,971	1,421,319	70,198,290
Total fund balances	221,261,386	100,200,621	321,462,007
Total liabilities and fund balances	$ 222,297,535	100,688,706	
Amounts reported for governmental activities in the statement of net assets are different due to interest receivable on program loans			132,663
Net assets of governmental activities			$ 321,594,670

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2003

	Illinois Affordable Housing Trust Fund	HOME Program Fund	Total
Revenues:			
Real estate transfer taxes	$ 35,677,836		35,677,836
Federal HOME funds		18,467,260	18,467,260
Interest and investment income	1,805,228	911,581	2,716,809
Private donation	500,000		500,000
Application fees	39,000		39,000
Total revenues	38,022,064	19,378,841	57,400,905
Expenditures:			
Grants	4,605,792	5,459,587	10,065,379
General and administrative	2,142,404	1,428,159	3,570,563
Provision for estimated losses on program loans receivable	1,000,000	500,000	1,500,000
Total expenditures	7,748,196	7,387,746	15,135,942
Excess of revenues over expenditures	30,273,868	11,991,095	42,264,963
Other financing uses:			
Transfer out	(5,200,000)		(5,200,000)
Net change in fund balances	25,073,868	11,991,095	37,064,963
Fund balances at beginning of year	196,187,518	88,209,526	
Fund balances at end of year	$ 221,261,386	100,200,621	
Amounts reported for governmental activities in the statement of net activities are different due to interest on program loans receivable			(11,731)
Changes in net assets of governmental activities			$ 37,053,232

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
As of June 30, 2003

ASSETS	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Current assets:				
Cash and cash equivalents	$ 26,669,343	2,013,917	6,912,888	35,596,148
Investments	96,151,691			96,151,691
Investment income receivable	376,773	3,860,551	4,877,074	9,114,398
Program loans receivable	275,000	24,420,000	11,107,000	35,802,000
Interest receivable on program loans	573,549	3,063,642	3,067,755	6,704,946
Due from other funds	7,241,809	24,580,590	363,098	32,185,497
Total current assets	131,288,165	57,938,700	26,327,815	215,554,680
Noncurrent assets:				
Investments - Restricted	156,442,143	252,133,592	324,507,245	733,082,980
Program loans receivable, net of current portion	30,217,028	689,483,048	621,852,029	1,341,552,105
Less allowance for estimated losses	(8,815,000)	(13,750,000)		(22,565,000)
Net program loans receivable	21,402,028	675,733,048	621,852,029	1,318,987,105
Unamortized bond issuance costs		10,357,780	12,700,521	23,058,301
Real estate held for sale (net)		29,881,739	1,275,410	31,157,149
Capital assets (net)	703,202			703,202
Other	8,264,265	1,967,751		10,232,016
Total noncurrent assets	186,811,638	970,073,910	960,335,205	2,117,220,753
Total assets	$ 318,099,803	1,028,012,610	986,663,020	2,332,775,433
LIABILITIES				
Current liabilities:				
Bonds and notes payable	$	28,290,000	110,550,000	138,840,000
Accrued interest payable		19,590,207	19,530,539	39,120,746
Deposits held in escrow	150,446,579			150,446,579
Accrued liabilities and other	31,839,875	11,485,829	2,550,114	45,875,818
Due to other funds	24,898,707	4,088,132	1,807,087	30,793,926
Total current liabilities	207,185,161	63,454,168	134,437,740	405,077,069
Noncurrent liabilities:				
Bonds and notes payable, net of current portion		830,635,901	813,406,915	1,644,042,816
Total liabilities	$ 207,185,161	894,090,069	947,844,655	2,049,119,885
NET ASSETS				
Invested in capital assets (net)	$ 703,202			703,202
Restricted for bond resolution purposes		133,922,541	38,818,365	172,740,906
Restricted for loan and grant programs	21,612,594			21,612,594
Unrestricted	88,598,846			88,598,846
Total net assets	$ 110,914,642	133,922,541	38,818,365	283,655,548

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Operating revenues:				
Interest and other investment income ……......	$ 2,384,293	9,443,801	11,326,929	23,155,023
Net increase in fair value of investments..........	215,703	2,243,831	867,740	3,327,274
Total investment income ...………..……...	2,599,996	11,687,632	12,194,669	26,482,297
Interest earned on program loans …….........	1,002,580	49,779,098	43,332,249	94,113,927
Federal assistance programs …......................	151,191,090	5,826,652		157,017,742
Service fees ....……................	8,211,732			8,211,732
Development fees ….......……........…….........	610,128			610,128
HUD savings ….............…….........................	1,315,237			1,315,237
Other …..............................……...................	2,336,136	2,918,080		5,254,216
Total operating revenues ….........................	167,266,899	70,211,462	55,526,918	293,005,279
Operating expenses:				
Interest expense ....……......………...........		57,611,152	60,685,257	118,296,409
Federal assistance programs	151,191,090	5,826,652		157,017,742
Salaries and benefits ……................………....	10,429,594		10,664	10,440,258
Professional fees ……...............………..........	1,277,098	6,000	66,000	1,349,098
Other general and administrative ….…………	3,604,299		218,888	3,823,187
Financing costs ….....................……….........	366,284	505,913	500,437	1,372,634
Provision for estimated losses				
on program loans receivable …...................		1,000,000		1,000,000
Total operating expenses ....………........	166,868,365	64,949,717	61,481,246	293,299,328
Operating income (loss) ....……….........	398,534	5,261,745	(5,954,328)	(294,049)
Other:				
Transfers in ....……........………………......	182	5,309,886	1,967,418	7,277,486
Transfers out ....……....………………….....	(211,828)		(1,865,658)	(2,077,486)
Total other …..........…………....................	(211,646)	5,309,886	101,760	5,200,000
Change in net assets	186,888	10,571,631	(5,852,568)	4,905,951
Net assets at beginning of year ………………….	110,727,754	123,350,910	44,670,933	278,749,597
Net assets at end of year ...………………………	$ 110,914,642	133,922,541	38,818,365	283,655,548

The accompanying notes are an integral part of these financial statements.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

	Administrative Fund	Mortgage Loan Program Fund	Single Family Program Fund	Total
Cash flows from operating activities:				
Cash received from interest, service fees, and principal on program loans	$ 21,490,695	79,382,951	341,931,568	442,805,214
Cash payments for loaned amounts	(6,448,267)	(19,127,750)	(115,180,213)	(140,756,230)
Cash received from federal assistance programs	147,434,153	4,331,736		151,765,889
Cash payments for federal assistance programs	(140,302,527)	(4,331,736)		(144,634,263)
Cash payments for operating expenses	(20,779,406)		(354,957)	(21,134,363)
Interest on investments	2,910,746	10,582,976	10,299,926	23,793,648
Other	2,485,651	3,709,993	(1,620,913)	4,574,731
Net cash provided by operating activities	6,791,045	74,548,170	235,075,411	316,414,626
Cash flows from noncapital financing activities:				
Proceeds from sale of revenue bonds and notes		40,240,000	245,485,000	285,725,000
Principal paid on revenue bonds and notes		(49,470,000)	(343,335,000)	(392,805,000)
Interest paid on revenue bonds and notes		(53,616,726)	(57,441,627)	(111,058,353)
Transfers in	182	5,309,886	1,967,418	7,277,486
Transfers out	(211,828)		(1,865,658)	(2,077,486)
Other		(2,184,384)	(1,884,976)	(4,069,360)
Net cash used in noncapital financing activities	(211,646)	(59,721,224)	(157,074,843)	(217,007,713)
Cash flows from investing activities:				
Purchase of investment securities	(557,342,884)	(367,402,647)	(794,946,199)	(1,719,691,730)
Proceeds from sales and maturities of investment securities	544,840,196	352,885,222	705,221,525	1,602,946,943
Developer escrow and other interest	3,586,246			3,586,246
Net cash used in investing activities	(8,916,442)	(14,517,425)	(89,724,674)	(113,158,541)
Net increase (decrease) in cash and cash equivalents	(2,337,043)	309,521	(11,724,106)	(13,751,628)
Cash and cash equivalents at beginning of year	29,006,386	1,704,396	18,636,994	49,347,776
Cash and cash equivalents at end of year	$ 26,669,343	2,013,917	6,912,888	35,596,148
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 398,534	5,261,745	(5,954,328)	(294,049)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Interest expense		57,611,152	60,685,257	118,296,409
Depreciation and amortization	327,501	800,000		1,127,501
Provision for estimated losses on program loans receivable		1,000,000		1,000,000
Changes in assets and liabilities:				
Decrease (increase) in investment income receivable	348,584	6,939	(550,401)	(194,878)
Decrease in program loan and interest receivable	7,965,003	10,729,884	183,419,106	202,113,993
Increase (decrease) in due to/from other funds	(169,842)	(246,686)	441,030	24,502
Increase (decrease) in other liabilities	1,732,129	2,481,941	(1,619,784)	2,594,286
Increase in other assets	(1,859,283)	(139,939)	(483,993)	(2,483,215)
Other	(1,951,581)	(2,956,866)	(861,476)	(5,769,923)
Total adjustments	6,392,511	69,286,425	241,029,739	316,708,675
Net cash provided by operating activities	$ 6,791,045	74,548,170	235,075,411	316,414,626

The accompanying notes are an integral part of these financial statements.

NOTE A —AUTHORIZING LEGISLATION

The Illinois Housing Development Authority (the "Authority") is a body politic and corporate of the State of Illinois (the "State") created by the Illinois Housing Development Act, as amended (the "Act"), for the purposes of assisting in the financing of decent, safe and sanitary housing for persons and families of low and moderate income in the State and assisting in the financing of residential mortgages in the State. To accomplish its purposes, the Authority is authorized by the Act to make mortgage or other loans to nonprofit corporations and limited-profit entities for the acquisition, construction or rehabilitation of dwelling accommodations and to acquire, and to contract and enter into advance commitments to acquire, residential mortgage loans from lending institutions. The Act also authorizes the Authority to issue its bonds and notes to fulfill corporate purposes, including the financing of mortgage and construction loans, the acquisition of residential mortgage loans and the making of loans for housing related commercial facilities. The Authority has issued various bonds and notes to finance mortgage loans and construction loans, to purchase residential mortgage loans from lending institutions and to make loans to private lending institutions for making new residential mortgage loans.

The bonds and notes outstanding as of June 30, 2003, as shown on the Authority's financial statements consist of both general and special limited obligations of the Authority (see Note F). The full faith and credit of the Authority are pledged for payment of general obligation bonds and notes. The Authority has the power under the Act to have up to $3,600,000,000 of general and special limited obligation bonds and notes outstanding, excluding those issued to refund outstanding bonds and notes. At June 30, 2003, amounts outstanding against this limitation were approximately $2,083,000,000.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies of the Authority:

Reporting Entity

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board ("GASB"), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

For financial reporting purposes, the Authority is a component unit of the State of Illinois. The Authority has no component units.

Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Authority. Eliminations have been made to minimize the double-accounting of internal activities of the Authority. These statements distinguish between the *governmental* and *business-type* activities of the Authority. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Authority and for each function of the Authority's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Authority's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis on fund financial statements is on major governmental and proprietary (enterprise) funds, each displayed in a separate column. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund including interest income, service fees and development fees. Exchange transactions are those in which each party receives and gives up essentially equal values.

The Authority reports the following major governmental funds:

Illinois Affordable Housing Trust Fund

The Authority is designated administrator of the Illinois Affordable Housing Program. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated from a portion of the State real estate transfer tax collected by the Illinois Department of Revenue and held within the State Treasury. The funds are appropriated to the Illinois Department of Revenue by the General Assembly. In accordance with State statute, the Authority makes grants and low or no interest mortgages or other loans, some with deferred repayment terms, to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single family and multi-family housing for low and very low income households.

HOME Investment Partnerships Program

The Authority is designated program administrator for the HOME Investment Partnerships Program ("HOME Program") for the State, the funds of which are appropriated to the Department of Revenue by the General Assembly. Under this program, the Authority seeks applicants and approves funding commitments for federal affordable housing funds made available under the HOME Program provisions of the 1990 National Affordable Housing Act.

The Authority reports the following major proprietary funds:

Administrative Fund

Development fee and financing fee income related to multi-family mortgage loans, income from service fees and operating expenses of the Authority are accounted for in the Administrative Fund. In addition, the Administrative Fund has provided for supplemental financing of certain developments through residual income loans and below market financing for various developments through the Authority's Housing Partnership Program (see Note E), and its lending program in conjunction with a debt service savings sharing agreement ("the FAF Savings Program") with the United States Department of Housing and Urban Development ("HUD") (see Note K).

The designations of the Authority's Administrative Fund unrestricted net assets as of June 30, 2003 are as follows:

Housing Partnership Program…………	$10,000,000
To pay expenses for programs under commitment or contract…………	3,000,000
Multi-Family development taxable financing program…………	6,000,000
To pay possible losses arising in the Multi-Family Bond Fund Program attributable, but not limited to, delinquencies or defaults on uninsured or unsubsidized loans…………	24,000,000
Provide reserves to support the Authority's Multi-Family Housing Risk Sharing Program…………	10,000,000
Provide funds and reserves to purchase single family mortgage loans to be acquired under the Single Family Program from the proceeds of future issuances of IHDA bonds…………	15,000,000
Provide funds and reserves to support the Mortgage Participation Certificate Program…………	20,000,000
	$88,000,000

The designations of the Administrative Fund unrestricted net assets may be amended or rescinded by the Members of the Authority.

The Administrative Fund net assets that are classified as restricted by contractual agreement consist of the FAF Savings Program and income from insurance proceeds that was required to be disbursed as a loan to Lake Grove Village (ML-248).

Mortgage Loan Program Fund

The Mortgage Loan Program Fund accounts for the financing of low and moderate income housing developments from the proceeds of Housing Development Bonds, Multi-Family Housing Bonds, Fixed Rate Housing Bonds, Multi-Family Program Bonds, Multi-Family Variable Rate Demand Bonds, Multi-Family Housing Revenue Bonds, Housing Bonds, Housing Finance Bonds, Multifamily Housing Revenue Bonds (Marywood), Multifamily Bonds (Turnberry) and Affordable Housing Program Trust Fund Bonds, and for the retirement of such obligations.

The Authority holds first mortgage liens on such developments. Affordable Housing Trust Fund Bond accounts include a transfer of funds from the Illinois Affordable Housing Trust Fund.

Single Family Program Fund

The Single Family Program Fund accounts for the proceeds of Homeowner, Residential and Owner Occupied Mortgage Revenue Bonds issued to provide funds for the purchase from lending institutions of mortgage loans on owner-occupied, one to four unit dwellings acquired by eligible buyers.

The use of tax exempt financing to provide eligible borrowers with below market-rate mortgage loans involves federal restrictions on expenses chargeable to the program. Any expenses incurred in the program in excess of such maximum amounts are absorbed by the Administrative Fund.

Restrictions of Assets and Fund Equity

The use of assets of each of the program funds is restricted by the related bond and note resolutions of the Authority. Certain amounts in the above program funds are considered subject to the restriction that they be applied to the financing of housing for the respective program purposes or to the retirement of obligations issued for such purposes; these amounts may include certain investment earnings attributable to the respective fund net assets. State statute restricts the use of the Illinois Affordable Housing Trust Fund and the HOME Program as noted above. Accordingly, fund balances of these governmental funds are reserved for loans not due within one year. All net assets of the governmental activities column of the Authority-wide financial statements are restricted with respect to the use of cash investments and loan amounts that are to be repaid to the Authority. (See Note E for schedules of aging for the loans made under these programs. In addition, see the governmental funds – balance sheet, fund balance).

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in exchange, include revenues from federal assistance programs. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Separate fund financial statements are provided for governmental and proprietary funds. Real estate transfer taxes of governmental funds are susceptible to accrual. All amounts susceptible to accrual were received prior to the end of the fiscal year. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

The Authority applies all GASB pronouncements for the Authority's proprietary funds, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash, certificates of deposits, time deposits and short-term repurchase agreements to be cash equivalents.

Investments

Investments of the Authority, which are generally held to maturity, are reported at fair value, with the exceptions of nonparticipating investment contracts ("demand repurchase agreements"), which are reported at cost, and money market investments that have a remaining maturity at time of purchase of one year or less, which are reported at amortized cost.

The investment of funds is restricted by various bond and note resolutions of the Authority and the Act, generally, to direct obligations of the United States government; specific bank obligations, certain of which are fully secured as required by the bond and note resolutions; and obligations of other governmental entities which meet defined standards. The type of collateral instruments that secure the demand repurchase agreements held by the Authority is subject to the same restrictions described above. Generally, collateral instruments are held by third party institutions.

Program Loans Receivable

Program Loans receivable include mortgage loans receivable, advances receivable and residual income loans receivable. Mortgage loans receivable include initial development fees and certain amounts of interest and service fees that have been charged by the Authority and added to the loan balance. The due dates for advances and residual income loans receivable are dependent upon future events as specified in the related loan or advance agreements. All loans are reported at undiscounted face value.

Capital Assets

Capital assets of the Authority consist of investments in furniture, fixtures and equipment, computer hardware and computer software are defined by the Authority as assets with an initial, individual cost of $5,000 or more. Depreciation or amortization is on a straight-line basis over a period of five to ten years, depending upon the nature of the asset. Depreciation and amortization expenses for fiscal year 2003 were approximately $328,000.

Real Estate Held for Sale

Real estate held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family Program Fund is recorded at the unpaid principal balance of the loans. Since substantially all such loans are covered by pool insurance, based on the Authority's past experience, it is anticipated that the Authority will recover substantially all of the unpaid principal balances of the loans through proceeds arising from the sale of such property and certain insurance proceeds.

Real estate held for sale of the Mortgage Loan Program Fund represents the Authority's net carrying value of Lakeshore Plaza ("ML-181"), which the Authority acquired by deed in lieu of foreclosure on April 27, 1990.

The Authority records depreciation against ML-181 on a straight–line basis over forty years, as past market conditions did not allow for a sale of the property. At June 30, 2003, the net carrying value of ML-181was $29,881,739 and accumulated depreciation was $7,811,000.

The real estate held for sale is reported at the lower of amortized cost or fair market value. The determination of fair market value is based upon periodic valuations that consider changes in market condition, development and disposition costs, and estimated holding period. Net operating income of ML-181 is recorded as other income and is applied primarily toward the Authority's debt service obligations of the bonds issued to refinance the development.

It is the intent of the Authority to continue to own and operate ML-181 until the Authority determines that a sale or other disposition of the development would be in the best interests of the Authority. The Authority cannot predict at this time as to the dates on which, or the circumstances pursuant to which, such determinations might be made.

Bond Discount and Issuance Costs

Discount on bonds is deferred and amortized using a method approximating the interest method. Debt issuance costs are deferred in the corresponding bond accounts and amortized over the life of the related bonds using a method approximating the interest method. When these costs exceed the designated amounts per the bond agreements, the excess bond issuance costs are expensed to the Administrative Fund.

Operations

Development fee and financing fee income are deferred and amortized over the contractual life of the loan as a yield adjustment using the interest method. Such amortized fees are recognized as interest income. Fees earned on loans, which the Authority does not directly originate, such as loans financed through Other Financings (see Note F), are recognized as income in the Administrative Fund generally at the time of initial closing.

Annual service fees charged by the Authority to loan recipients, which are deposited in the respective program funds or added to program loans receivable, are recorded as income in the Administrative Fund through interfund accounts.

Operating expenses include general and administrative expenses of the Authority; salaries and benefits; costs and expenses incurred in connection with the amortization, issuance and sale of certain bonds and notes; fees and expenses of trustees and depository and paying agents; and costs related to analyses, surveys, appraisals and other matters pertaining to maintenance and evaluation of program loans receivable. Operating costs and expenses are charged to expense as incurred, except those directly related to loan or program originations, which are deferred, netted against fee income for loans originated, and amortized over the contractual life of the related loan or program.

A portion of the Authority's operating expenses of administering the Illinois Affordable Housing Trust Fund and the HOME Program is absorbed by these programs. Similarly, related resolutions of various bonds issued allow for the bond accounts to absorb a certain level of operating expenses. Expense in excess of the allowable ceilings set forth in the resolutions are charged to the Administrative Fund.

Direct expenses as shown in the statement of activities include allocations of Administrative Fund expenses of Authority departments directly involved in the production or monitoring activities associated with the programs, as well as certain costs, both internally and externally incurred, associated with these programs. Administrative costs include certain administrative and supportive functions and all overhead expenses.

Compensated Absences

The Authority grants vacation and sick leave to all employees and accrues for unused compensated absences. Vacations are allotted on a calendar year basis and are intended to be taken during that year. Unused sick leave allowance is carried forward and accumulated. In the event of termination, employees are paid for all earned but unused vacation time and, within a maximum time limit, for one half of accumulated sick leave earned. At June 30, 2003, unused compensated absences, which are included in Other Liabilities, were $442,766. The Authority has no other post-employment benefits.

Provision for Estimated Losses on Program Loans

The Authority provides for estimated losses on program loans in its proprietary and governmental funds based upon the periodic review and evaluation of the loan portfolio and provides additional amounts, if it deems necessary, for estimated losses for individual loans in the funds. In making such review and evaluation, the Authority considers current economic conditions, occupancy and rental level projections, financial statement analyses, on-site inspections, independent appraisals of certain developments, insurance coverages and such other factors as it deems necessary.

NOTE C—CASH AND INVESTMENTS

Statutes of the State and resolutions of the Authority authorize the Authority to invest in obligations of the United States Government, agencies and instrumentalities of the United States Government, demand repurchase agreements and other banking arrangements. The Authority may also invest its funds in such investments as may be lawful for fiduciaries in the State. Except for a portion of the funds of the Affordable Housing Trust Fund and HOME Program, all funds are held outside of the State Treasury in various banks and financial institutions.

The Authority's Investments and Cash Management Policy (the "Investment Policy") contains the following stated objectives:

- Safety of principal. Each investment transaction shall seek to ensure that capital losses within the investment portfolio are avoided, whether they be from securities defaults or erosion of market value.
- Liquidity. The investment portfolio shall remain sufficiently flexible to enable the Authority to meet all operating requirements which may be reasonably anticipated in any fund.
- Maximum rate of return. The investment portfolio shall be designed with the purpose of regularly exceeding the average return of United States Treasury obligations of comparable maturities. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles.

As of June 30, 2003, the Authority had the following investments, maturities and credit quality.

		Investment Maturities (in Years)				
Investment	**Carrying Amount**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Custodial Credit Risk**
Demand Repurchase Agreements………	$431,161,034	$92,327,902	$11,660,572	$ -	$327,172,560	$396,484
United States Agency Obligations……..	331,631,869	309,759,604	13,944,289	-	7,927,976	-
United States Government Obligations..	57,963,178	38,612,027	611,404	411,375	18,328,372	-
Acquired Bonds………………………..	31,649,900	1,700,000	9,608,338	6,867,613	13,473,949	-
Municipal Obligations and Other………	3,661,204	104,751	184,307	1,386,282	1,985,864	-
	$856,067,185	$442,504,284	$36,008,910	$ 8,665,270	$368,888,721	$396,484

Demand repurchase agreements are collateralized by obligations of the United States Government or its agencies, or direct investments of such obligations and have one-day demand of funds provisions exercisable at the Authority's option. The market value of securities subject to such agreements must be maintained at least equal to 100 percent of the principal of and accrued interest on the invested funds by marking to market at least weekly and using an immediate under value cure provision. The Authority invests in demand repurchase agreements for both short-term (generally program funds) and long-term (generally reserve) investments. On June 30, 2003, approximately $104 million was invested in such short-term agreements having various maturity dates out to September 1, 2005, primarily at rates ranging from 1.03% to 2.31% and approximately $327 million was invested in such long-term agreements having maturity dates ranging from January 31, 2015, to August 1, 2032, primarily at rates ranging from 4.20% to 10.21%.

The counterparties to the demand repurchase agreements are institutions whose unsecured debt securities are rated at least equal to the ratings on the Authority's debt, or in the case of short-term program fund investments, the highest short-term rating category.

During a prior fiscal year, the Authority issued its Housing Bonds, 1999 Series A, to refinance, directly or indirectly, all or a portion of 11 multi-family developments. A portion of the proceeds were used to purchase 1999 Series A Bonds ("Acquired Bonds") issued from the Authority's Housing Development and Multi-Family Housing Bond Accounts, the proceeds of which in turn were used to redeem previously issued bonds.

These Acquired Bonds are accounted for as an investment within the Housing Bond Account and as bonds outstanding within the Housing Development and Multi-Family Housing Bond Accounts.

NOTE D—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Balances

The Authority reports interfund balances among its funds. These balances generally consist of accruals for various revenues or expenses due to a fund, but received or paid to another, and subsidy transfers between funds. These amounts are paid or received within the subsequent fiscal year.

Interfund accounts receivable (payable) balances at June 30, 2003 consisted of the following:

	Due From					
Due To	Illinois Affordable Housing Trust	HOME Program	Administrative	Mortgage Loan Program	Single Family Program	Total
Administrative……………....	$ 965,403	$ 426,168	$ -	$ 4,088,132	$ 1,762,106	$ 7,241,809
Mortgage Loan Program.…..	-	-	24,580,590	-	-	24,580,590
Single Family Program…….	-	-	318,117	-	44,981	363,098
	$ 965,403	$ 426,168	$ 24,898,707	$ 4,088,132	$ 1,807,087	$ 32,185,497

Interfund accounts receivable (payable) between the Mortgage Loan Program and the Administrative Fund primarily consists of a fiscal year 2000 operating transfer of $10.4 million to the Multi-Family Housing Revenue Bond Accounts made from the Administrative Fund in conjunction with the issuance of the Multi-Family Housing Revenue Bonds, Series 2000A (Lakeshore Plaza Development) and the corresponding transfer of the carrying value of real estate held for sale, ML-181, to these Funds. This interfund receivable is expected to be reduced over a period of successive fiscal years.

The Authority records transfers between program funds for various purposes including fund closings, earnings transfers, program subsidies, and equity contributions for the initial financing of the Authority's programs.

Transfers for the year ended June 30, 2003 consisted of the following:

	Transfer From			
Transfer To	Illinois Affordable Housing Trust	Administrative	Single Family Program	Total
Administrative…………….	$ -	$ 182	$ -	$ 182
Mortgage Loan Program…..	5,200,000	109,886	-	5,309,886
Single Family Program……	-	101,760	1,865,658	1,967,418
	$ 5,200,000	$ 211,828	$ 1,865,658	$ 7,277,486

Pursuant to the Illinois Affordable Housing Act, amounts up to $10,000,000 in any fiscal year may be transferred, following an annual Authority certification to the Illinois Department of Revenue of the amounts required to be withdrawn, from the Illinois Affordable Housing Trust Fund to the Affordable Housing Program Trust Fund Bond Accounts. The amounts transferred during the year ended June 30, 2003 totaled $5,200,000.

NOTE E—PROGRAM LOANS RECEIVABLE

The Authority has loans throughout the State, of which approximately two-thirds are in the Chicago metropolitan area. Loans receivable in the Mortgage Loan Program Fund are secured by first mortgage liens on the related developments. Each development is subject to a regulatory agreement under which the Authority has certain powers relating to rents, profits, occupancy, management and operations. Monies are required to be deposited in reserve accounts monthly by all mortgagors for real estate tax reserves and by substantially all mortgagors for insurance and replacement reserves. See Note G regarding these reserves and other deposits held in escrow.

The ability of the mortgagors to make required payments on the mortgage loans receivable depends principally upon the related developments achieving and sustaining sufficient occupancy and rental levels to support such payments. With respect to most developments financed from proceeds of Multi-Family Housing Bonds and Multi-Family Program Bonds, the Authority, HUD and the owners of the developments have entered into agreements whereby HUD will make, under its Section 8 Program, housing assistance payments for the developments. With respect to Housing Development Bonds, Fixed Rate Housing Bonds and Housing Bonds, the Authority has made loans to finance developments entitled to interest reduction payments by HUD under Section 236 of the National Housing Act for all or a portion of the dwelling units in the developments. Such federal subsidies, together with the rents to be paid by the tenants, are estimated by the Authority, prior to its issuing an initial mortgage loan commitment, to provide sufficient funds to pay the costs of operation, maintenance, administration, mortgage payments, and Authority fees with respect to each of the developments.

During the year ended June 30, 2003, HUD subsidy payments were received and disbursed as follows:

Program	Received	Disbursed
Section 8	$151,191,090	$149,636,132
Section 236	5,826,652	5,826,652

The Authority records HUD Section 8 housing assistance transactions in its Administrative Fund. HUD Section 236 transactions are recorded in the Housing Development, Fixed Rate Housing and Housing Bond Accounts.

At June 30, 2003, for loans financed under the Mortgage Loan Program Fund, amounts in arrears equal to more than two months debt service payments and required deposits to tax and insurance and/or replacement reserves were $305,550 and $62,381, respectively.

For certain past delinquencies, the related developments have not been able to generate net rental income sufficient to pay scheduled debt service and reserve deposits in full. In the opinion of the Authority, these deficiencies of net rental income have arisen for various reasons including (i) the existence of physical defects in the development which have caused operational problems, (ii) higher than anticipated operating expenses of the development and (iii) depressed rental market conditions in the development's local area.

In certain cases, cash deficiencies of developments, including certain developments as to which the related mortgage loans are not delinquent as to scheduled debt service payments or required reserve deposits, have been funded in part by advances from the owners of the respective developments. However, there generally can be no assurance that the owners will make additional advances for this purpose. For certain mortgage loans, the Authority holds reserve deposits and letters of credit that may be applied toward delinquencies.

The Authority has pursued actions available under the mortgage and regulatory agreements to cure certain delinquencies. With respect to some developments, the need for capital improvements, repairs, marketing campaigns and other expenditures may be indicated. Where necessary and appropriate, the Authority has committed and/or advanced residual income loans from the Administrative Fund or mortgage loan increases from the related program accrual to finance these expenditures. In certain instances the Authority has initiated actions to effect necessary changes in the management of the developments. In addition, the Authority has, in some cases, filed suit against the applicable general contractors and/or bonding companies seeking corrections of the development's physical defects and has instituted foreclosure proceedings for certain developments.

The Authority has a second mortgage agreement relating to a $6.7 million first mortgage for Innsbruck Apartments, ML-19. Under this agreement, upon the development's payment of a debt service amount as set forth in the agreement, the Authority, from its Administrative Fund, was obligated to subsidize debt service payments related to the first mortgage up to a maximum of $6.2 million. The subsidy payments were applied to receivables of the Housing Development Bond and the Fixed Rate Housing Bond accounts. The maximum subsidy amount was reached in May 1999, after which the development became fully obligated for debt service of the receivables of the above bond accounts. The development is obligated to reimburse the Administrative Fund debt service subsidy payments from a portion of residual receipts generated from the development.

The Authority's policy for converting mortgage loans to non-accrual status is based upon the recording of a specifically identifiable allowance for estimated loss. The accrual of interest and service fee income has been suspended on approximately $10.0 million of mortgage loans in the Mortgage Loan Program Fund and $7.1 million of mortgage loans in the Administrative Fund at June 30, 2003, for which allowances for estimated losses have been provided, and such income is being recognized only as received. Interest and service fee income due but not accrued was approximately $35,000 in the Mortgage Loan Program Fund and $523,000 in the Administrative Fund at June 30, 2003. In addition, the Authority does not accrue interest income on approximately $14.5 million of mortgage loans recorded in the Administrative Fund. Payments made on such loans, which generally are payable from residual receipts, if any, of the affected development funds, are recognized only as received. The annual amount of interest on these loans is approximately $328,000.

The Authority, through its Housing Partnership Program, provides loans to not-for-profit organizations, community groups and cities to finance the rehabilitation of existing housing and for the construction of new housing for low and moderate income persons and families. The program's activities are recorded in the Administrative Fund. At June 30, 2003, loans receivable under this program were approximately $7,561,352.

In June 1994, the Authority entered into a Risk Sharing Agreement ("Agreement") with HUD that permitted the Authority to participate in HUD's Pilot Risk Sharing Program, which has since been converted to a permanent program. Under this program, HUD will insure certain mortgage loans on multi-family housing developments ("Risk Sharing Loans"). HUD has authorized the Authority to make an unlimited amount of loans for such developments. Under the Agreement, the Authority will underwrite Risk Sharing Loans following its underwriting guidelines. HUD will insure the Risk Sharing Loans and will bear 10 to 90 percent of the loss, as elected by the Authority, in the event of a foreclosure. The Authority will bear the remainder of the risk.

The Authority, as of June 30, 2003, has entered into twenty-six Risk Sharing Loans totaling $130,028,353 and elected that HUD assume 10 to 50 percent of the loss with respect to those loans. Except for three loans totaling $16,591,000 which were financed through the issuance of the Authority's Housing Finance Bonds and two loans totaling $10,993,148 which were financed through the issuance of the Authority's Multi-Family Housing Bonds, these loans are not included in the Authority's financial statements as the Authority sold 100 percent participation interests in the loans to outside parties. The program's service and insurance fee incomes are recorded in the Administrative Fund.

In December 2000, the Authority received a commitment from Ambac Assurance Corporation ("Ambac") under which Ambac will insure mortgage loans ("Ambac Loans") on multi-family housing developments under the Authority's Mortgage Participation Certificate Program. Ambac has guaranteed repayment of principal and interest due on a timely or accelerated basis in accordance with the agreement between the Authority and Ambac. Once Ambac Loans are issued and minimum threshold requirements are met, Ambac and the Authority will enter into a sharing agreement on the remaining principal balance on each mortgage loan. As of June 30, 2003, the Authority has entered into six Ambac Loans totaling $24,743,000.

At June 30, 2003, for loans financed under the Risk Sharing and Mortgage Participation Certificate Programs, there were no amounts in arrears equal to more than two months debt service payments or required deposits to tax and insurance and/or replacement reserves.

With respect to mortgage loans funded by Residential Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2003, were covered by pool insurance, which provides for loss coverage to an aggregate limit equal to at least ten percent of the aggregate original principal amount of the mortgage loans so covered.

With respect to the mortgage loans funded by the Homeowner Mortgage Revenue Bonds, substantially all delinquent mortgage loans receivable at June 30, 2003, were covered by pool insurance, which provides for an aggregate limit equal to 3.5% of the aggregate original principal amount of mortgage loans so covered, less a deductible ranging from zero to 1.0% of the aggregate of the original amount of all mortgage loans covered.

Loans made through the Illinois Affordable Housing Trust Fund are to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single family and multi-family housing for low and very low-income households. Interest rates on these loans are set at below market rates and have ranged from 0% to 7.5%, with most rates set at 2.0% or below. Loans have maturities of up to 40 years, with some loans carrying deferred payment terms. The approximate aging of the Illinois Affordable Housing Trust Fund receivables as of June 30, 2003, is as follows:

Interest Rate - %	Principal Due By June 30 2004	2009	2019	After 2019	Total
	($ in thousands)				
0 -.99	$ 4,265	$ 5,819	$ 10,979	$ 47,984	$ 69,047
1 - 1.99	2,283	6,530	20,507	54,805	84,125
2 - 3.99	431	1,237	2,946	7,730	12,344
4 - 7.00	55	173	507	767	1,502
	$ 7,034	$13,759	$ 34,939	$ 111,286	$ 167,018

The approximate aging of the receivables of the HOME program as of June 30, 2003, is as follows:

Interest Rate - %	Principal Due By June 30 2004	2009	2019	After 2019	Total
	($ in thousands)				
0 -.99	$ 93	$ 533	$ 3,937	$ 29,940	$ 34,503
1 - 1.99	948	3,861	17,717	41,966	64,492
2 - 3.99	144	581	1,461	548	2,734
4 - 6.00	0	0	0	2,235	2,235
	$ 1,185	$ 4,975	$ 23.115	$ 74,689	$ 103,964

The Authority has reviewed each program loan receivable, including those for developments in the construction or rent-up phases, for the purpose of determining ultimate collectibility. The Authority believes that the allowances for estimated losses at June 30, 2003 in the accompanying financial statements are adequate to cover estimated losses of the various funds. For fiscal year 2003, the Authority increased the allowances for estimated losses for its Mortgage Loan Program Fund and the Illinois Affordable Housing Trust Fund by $1,000,000 each, and increased the allowances for estimated losses for the HOME Program Fund by $500,000. No other write-offs or other adjustments were made.

Scheduled receipts of principal on proprietary fund program loans receivable in the five years subsequent to June 30, 2003 and thereafter are as follows:

2004	$35,802,000
2005	37,932,000
2006	40,940,000
2007	45,537,000
2008	49,359,000
After 2008	1,167,784,000
	$1,377,354,000

NOTE F—BONDS AND NOTES PAYABLE

Bonds and notes outstanding are general obligations (G.O.) of the Authority with the exception of Homeowner Mortgage Revenue Bonds, Affordable Housing Program Trust Fund Bonds, Multi-Family Variable Rate Demand Bonds, Housing Finance Bonds, Multifamily Housing Revenue Bonds (Marywood), Multifamily Bonds (Turnberry), Multi-Family Housing Bonds, 1995 Series A, Multi-Family Program Bonds, Series 7 and 8, and Multi-Family Housing Revenue Bonds, 2000 Series A, which are special limited obligations (S.L.O.) of the Authority, payable from pledged property as defined in their respective general resolutions. The Authority has also pledged its general obligation to the payment of the Affordable Housing Program Trust Fund Bonds to a limited extent and amounts.

Bonds and notes outstanding at June 30, 2003 are as follows. The June 30, 2002 amounts are shown for comparative purposes only.

Mortgage Loan Program Fund

Bonds outstanding of the Mortgage Loan Program Fund are as follows:

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	Amount June 30, 2003
Housing Development Bonds:					
1993 Series A	2003-2018	5.10 – 6.00	G.O.	$58,700,000	$56,505,000
1999 Series A	2003-2015	3.94 – 5.19	G.O.	23,600,000	22,155,000
				82,300,000	78,660,000
Less unamortized discount thereon.				134,363	121,118
				$82,165,637	$78,538,882
Multi-Family Housing Bonds:					
1979 Series B	2019-2023	6.00	G.O.	275,000	275,000
1982 Series B	2011-2017	7.00	G.O.	18,840,000	18,840,000
1982 Series C	2015-2025	5.00	G.O.	29,705,000	29,705,000
1983 Series A (1)	2006-2025	10.75	G.O.	12,177,479	13,521,739
1991 Series A	2003-2016	8.00-8.25	G.O.	64,685,000	62,325,000
1991 Series C	2003-2023	6.75-7.35	G.O.	8,665,000	8,180,000
1992 Series A	2003-2026	6.45-7.10	G.O.	39,845,000	37,950,000
1993 Series A	2004-2025	6.05-6.13	G.O.	42,935,000	42,935,000
1993 Series B (Taxable)	2003-2003	6.85	G.O.	1,715,000	880,000
1993 Series C	2003-2028	5.80-6.10	G.O.	12,010,000	12,010,000
1993 Series D (Taxable)	2003-2003	6.80	G.O.	325,000	130,000
1994 Series A and B	2003-2020	6.40-6.80	G.O.	4,620,000	3,785,000
1995 Series A	2003-2021	4.80-5.95	S.L.O.	22,230,000	21,525,000
1999 Series A	2003-2028	3.94-5.31	G.O.	9,790,000	9,605,000
2001 Series B	2003-2043	4.60-5.50	S.L.O.	10,990,000	10,895,000
				278,807,479	272,561,739
Less unamortized discount thereon.				16,215,685	15,889,720
				$262,591,794	$256,672,019

(1) Capital appreciation term bonds which were originally issued in the amount of $1,750,000 and which are scheduled for redemption in part, on a semi-annual basis from July 1, 2009 through July 1, 2025, at accreted values aggregating $45,941,387.

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	Amount June 30, 2003
Fixed Rate Housing Bonds:					
1984 Series A	2003-2021	7.25	G.O.	$8,795,000	$8,585,000
1984 Series D	2003-2015	7.25	G.O.	2,020,000	1,935,000
				$10,815,000	$10,520,000

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	Amount June 30, 2003
Multi-Family Program Bonds:					
Series 1	2005-2021	6.63-6.75	G.O.	$45,715,000	$45,715,000
Series 2 (Taxable)	2003-2005	7.85	G.O.	7,830,000	5,420,000
Series 3	2009-2023	6.05-6.20	G.O.	98,135,000	98,135,000
Series 4 (Taxable)	2003-2008	7.20-7.80	G.O.	29,910,000	26,190,000
Series 5	2007-2023	6.65-6.75	G.O.	74,725,000	74,725,000
Series 6 (Taxable)	2003-2006	8.02-8.28	G.O.	15,295,000	12,365,000
Series 7	2019-2029	6.25	S.L.O.	11,350,000	11,350,000
Series 8 (Taxable)	2003-2031	7.19-8.52	S.L.O.	17,010,000	16,690,000
				$299,970,000	$290,590,000
Housing Bonds:					
1999 Series A	2003-2031	3.88-5.25	G.O.	$42,770,000	$40,960,000
1999 Series B (1)			G.O.	4,305,000	-
1999 Series C	2003-2003	6.05	G.O.	255,000	90,000
				$47,330,000	$41,050,000
Housing Finance Bonds:					
1999 Series B	2003-2030	4.80-6.30	S.L.O.	$5,575,000	$5,495,000
2000 Series A	2003-2032	5.75-6.30	S.L.O.	9,450,000	9,330,000
				$15,025,000	$14,825,000
Multi-Family Variable Rate Demand Bonds:					
Series 1996A (Taxable) (1)	2026	6.28	S.L.O.	$8,135,000	$8,135,000
Multi-Family Housing Revenue Bonds:					
Series 1997(1)		5.75	G.O.	$14,170,000	$14,170,000
Series 2000 A (1)		5.50	S.L.O.	43,185,000	42,385,000
				$57,355,000	$56,555,000

(1) Interest rates on the bonds are determined weekly at a rate established by the Remarketing Agents on each Rate Determination Date. The Authority has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. Payment of the principal and interest on the bonds when due is insured by a financial guarantee insurance policy. The Authority has a general obligation to reimburse the insurer for any such payments made.

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	Amount June 30, 2003
Multifamily Housing Revenue Bonds:					
Marywood Apartment Homes, Series 2003	2005-2045	4.50-5.20	S.L.O.	-	$15,865,000
Multifamily Bonds:					
Turnberry Village II Apartments	2005-2045	4.50-4.75	S.L.O.	-	$5,320,000
Affordable Housing Program Trust Fund Bonds:					
Series 1994 A	2003-2021	8.13-8.64	S.L.O.	$43,925,000	$42,700,000
Series 1995 A	2003-2022	6.74-7.82	S.L.O.	39,160,000	38,155,000
				83,085,000	80,855,000
Total Mortgage Loan Program Fund				882,822,479	874,936,739
Less unamortized discount thereon				16,350,048	16,010,838
				$866,472,431	$858,925,901

Single Family Program Fund

Bonds outstanding of the Single Family Program Fund are as follows:

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	Amount June 30, 2003
Residential Mortgage Revenue Bonds:					
1983 Series A	2015	10.872	G.O.	$1,319	$1,467
1983 Series B	2015	10.746	G.O.	1,339	1,487
1984 Series B	2016	11.257	G.O.	1,130	1,260
1985 Series A	2017	10.75	G.O.	1,086	1,206
1987 Series A	2004-2007	6.90	G.O.	1,395,000	-
1987 Series B	2014	8.13	G.O.	100,000	100,000
1987 Series C	2014	7.50	G.O.	100,000	100,000
1987 Series D	2017	8.65	G.O.	100,000	100,000
1988 Series A and B	2003	7.50-7.70	G.O.	10,000	-
1988 Series C	2003	7.70	G.O.	5,000	5,000
1993 Series A and B	2003-2024	4.80-5.90	G.O.	20,680,000	10,700,000
				$22,394,874	$11,010,420

The cumulative accretion in value from the date of issuance of the capital appreciation bonds included in the above amounts is summarized as follows:

Series	Redemption Basis and Period	Original Issue Amount (1)	Accreted Value June 30, 2002	Accreted Value June 30, 2003	Aggregate Value to be Redeemed
1983 Series A	Maturity 2/1/15	$180	$1,319	$1,467	$5,000
1983 Series B	Maturity 2/1/15	193	1,339	1,487	5,000
1984 Series B	Maturity 2/1/16	166	1,130	1,260	5,000
1985 Series A	Maturity 2/1/17	190	1,086	1,206	5,000

(1) Amounts reflect original issue amounts of capital appreciation bonds outstanding as of June 30, 2003.

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	Amount June 30, 2003
Homeowner Mortgage Revenue Bonds:					
1994 Series A	2003-2025	5.50-6.45	S.L.O.	$ 25,535,000	$ 1,970,000
1994 Series B	2003-2025	6.10-7.05	S.L.O.	8,775,000	-
1994 Series C	2026	6.63	S.L.O.	1,420,000	-
1995 Series A	2003-2022	5.80-6.85	S.L.O.	12,710,000	3,435,000
1995 Series B	2003-2026	5.40- 6.63	S.L.O.	22,825,000	14,735,000
1995 Series C	2003-2018	4.75-6.20	S.L.O.	10,670,000	7,205,000
1995 Series D	2003-2027	5.20-6.63	S.L.O.	27,385,000	6,555,000
1995 Series E	2023-2028	6.17	S.L.O.	7,860,000	7,760,000
1996 Series A	2003-2027	4.90-6.15	S.L.O.	24,955,000	18,995,000
1996 Series B	2006-2028	6.30-6.45	S.L.O.	20,945,000	10,780,000
1996 Series C	2019-2028	5.63-6.30	S.L.O.	15,585,000	14,685,000
1996 Series E	2003-2027	4.80-6.13	S.L.O.	18,645,000	15,405,000
1996 Series E-3 (Taxable)	2019-2027	7.43	S.L.O.	45,000	-
1996 Series F	2003-2028	4.35-5.65	S.L.O.	24,760,000	20,950,000
1997 Series A	2003-2028	4.80-6.15	S.L.O.	28,025,000	24,310,000
1997 Series B (remarketed 4/30/98)	2003-2028	4.20-5.50	S.L.O.	25,405,000	19,920,000
1997 Series B (remarketed 6/29/98)	2003-2028	4.20-5.40	S.L.O.	26,560,000	23,460,000

	Maturity Dates	Interest Rate Range-%	Debt Class	Amount June 30, 2002	June 30, 2003
1997 Series C	2003-2028	4.40-6.00	S.L.O.	32,265,000	25,285,000
1997 Series C-5 (Taxable)	2003-2029	6.72-7.74	S.L.O.	17,060,000	5,825,000
1997 Series D	2003-2028	4.35-5.65	S.L.O.	16,425,000	13,865,000
1997 Series D-3 (Taxable)	2006-2028	6.60	S.L.O.	2,980,000	2,395,000
1998 Series A (Taxable)	2003-2028	6.45-7.16	S.L.O.	17,735,000	9,085,000
1998 Series C (Taxable)	2003-2029	6.28-7.00	S.L.O.	16,025,000	12,465,000
1998 Series D (remarketed 10/7/98)	2003-2029	3.95-5.20	S.L.O.	27,275,000	23,545,000
1998 Series D (remarketed 12/17/98)	2003-2029	4.00-5.25	S.L.O.	15,975,000	13,550,000
1998 Series D (remarketed 4/29/99)	2003-2029	3.90-5.30	S.L.O.	41,365,000	32,070,000
1998 Series E (Taxable)	2003-2029	5.66-6.31	S.L.O.	17,680,000	16,440,000
1998 Series G	2003-2029	4.00-5.25	S.L.O.	27,210,000	22,495,000
1999 Series A	2003-2028	4.90-6.40	S.L.O.	22,580,000	17,630,000
1999 Series B	2003-2028	4.90-6.40	S.L.O.	13,715,000	10,725,000
1999 Series C (Taxable)	2003-2029	7.16	S.L.O.	4,870,000	-
1999 Series D	2003-2030	4.50-5.70	S.L.O.	35,180,000	29,310,000
1999 Series D-3 (Taxable)	2003-2030	6.70-7.76	S.L.O.	9,385,000	3,965,000
1999 Series E	2003-2028	5.20-6.64	S.L.O.	20,870,000	17,700,000
1999 Series F (Taxable)	2003-2030	8.25	S.L.O.	10,670,000	10,565,000
1999 Series G	2003-2031	4.70-6.05	S.L.O.	16,840,000	14,745,000
2000 Series B	2003-2032	4.65-5.95	S.L.O.	15,345,000	14,245,000
2000 Series C	2003-2031	5.00-6.38	S.L.O.	18,580,000	15,360,000
2000 Series C-4 (Taxable)	2003-2031	8.19	S.L.O.	5,395,000	4,485,000
2000 Series D	2003-2031	4.60-6.05	S.L.O.	42,290,000	37,345,000
2000 Series E	2003-2031	4.45-5.95	S.L.O.	28,465,000	26,480,000
2000 Series F (Taxable)	2003-2031	7.71	S.L.O.	4,935,000	-
2001 Series A	2003-2032	3.50-5.50	S.L.O.	40,630,000	36,985,000
2001 Series B (Taxable)	2003-2032	6.36	S.L.O.	4,970,000	4,390,000
2001 Series C	2003-2032	3.10-5.55	S.L.O.	46,940,000	41,975,000
2001 Series D (Taxable)	2003-2032	Variable	S.L.O.	8,000,000	7,855,000
2001 Series E	2003-2033	2.88-5.60	S.L.O.	55,545,000	50,580,000
2001 Series F (Taxable)	2003-2023	Variable	S.L.O.	10,000,000	10,000,000
2003 Series A	2004-2033	3.10-5.63	S.L.O.	40,000,000	39,885,000
2003 Series B (Taxable)	2004-2023	Variable	S.L.O.	10,000,000	10,000,000
2002 Series C	2004-2033	2.25-5.40	S.L.O.	-	49,975,000
				999,305,000	821,385,000
Plus unamortized premium thereon				106,495	106,495
				$999,411,495	$821,491,495
Homeowner Mortgage Revenue Notes:					
2003 Series A	2004	1.13-1.18	S.L.O.	-	$91,455,000
Total Single Family Program Fund				1,021,699,874	923,850,420
Plus unamortized premium thereon				106,495	106,495
				$1,021,806,369	$923,956,915

The following summarizes the debt activity for the Authority's proprietary funds for fiscal year 2003:

	6/30/02	Issuance	Accretion	Retirement	06/30/03
Housing Development Bond…………………	$ 82,300,000	-	-	($ 3,640,000)	$78,660,000
Multi-Family Housing Bond…………………	278,807,479	-	1,344,260	(7,590,000)	272,561,739
Fixed Rate Housing Bond…………………….	10,815,000	-	-	(295,000)	10,520,000
Multi-Family Program Bond…………………	299,970,000	-	-	(9,380,000)	290,590,000
Housing Bond…………………………………	47,330,000	-	-	(6,280,000)	41,050,000
Housing Finance Bond………………………..	15,025,000	19,055,000	-	(19,255,000)	14,825,000
Multi-Family Variable Rate Demand Bond…..	8,135,000	-	-	-	8,135,000
Multi-Family Housing Revenue Bond………..	57,355,000	-	-	(800,000)	56,555,000
Multifamily Housing Revenue Bond (Marywood).	-	15,865,000	-	-	15,865,000
Multifamily Bond (Turnberry II)……………..	-	5,320,000	-	-	5,320,000
Affordable Housing Program Trust Fund Bond	83,085,000	-	-	(2,230,000)	80,855,000
Total Mortgage Loan Program Fund………….	882,822,479	40,240,000	1,344,260	(49,470,000)	874,936,739
Residential Mortgage Revenue Bond…………	22,394,874	-	546	(11,385,000)	11,010,420
Homeowner Mortgage Revenue Bond………..	999,305,000	50,000,000	-	(227,920,000)	821,385,000
Homeowner Mortgage Revenue Note………..	-	91,455,000	-	-	91,455,000
Owner Occupied Revenue Bond …………….	-	104,030,000	-	(104,030,000)	-
Total Single Family Program Fund…………..	1,021,699,874	245,485,000	546	(343,335,000)	923,850,420
Total Proprietary Funds………………………	$1,904,522,353	$285,725,000	$1,344,806	($392,805,000)	$1,798,787,159

Other Financings

From time to time the Authority has issued special limited obligations with a claim for repayment solely from payments received with respect to the mortgage loans. The bonds are not general obligations of the Authority, and they are not a debt of the State of Illinois; neither is liable to pay interest and principal on the bonds. Accordingly, the bonds are not included in the Authority's financial statements. The bonds do, however, apply toward the Authority's authorized debt limitation.

As of June 30, 2003, there were twenty-two series of such bonds or notes outstanding, with an aggregate principal amount payable of $284,533,900.

Assets Restricted for Capital and Debt Service Reserves

Pursuant to the Act and various resolutions of the Authority, certain assets (principally investments) are maintained in capital and debt service reserve funds and may be used only for the payment of principal and interest on certain bonds. The reserve funds must be maintained at an amount at least equal to the following:

Bonds	Requirement
Housing Development Bonds	Maximum amount of principal and interest due in any succeeding year
Fixed Rate Housing Bonds Affordable Housing Program Trust Fund Bonds Multi-Family Housing Bonds	7.5% to 13.45%, as defined for each series, of the principal amounts of bonds outstanding provided that the debt service reserve funds for the 1978 Series B Bonds (none of which are outstanding) and subsequent series of bonds cannot be less than a specified percentage (100% except for the 1979 Series A and 1979 Series B Bonds, for which the percentage is 120%) of the maximum annual debt service on such bonds for the current or any succeeding year until July 1 of the year preceding the final maturity of the bonds of such series
Multi-Family Program Bonds	Maximum amounts of principal, sinking fund installments and interest due in the then current or any future bond year for all bonds then outstanding
Multi-Family Variable Rate Demand Bonds Multi-Family Housing Revenue Bonds	Three months of adjusted debt service requirements

Bonds	Requirement
Housing Bonds	25% of the maximum annual principal and interest
Housing Finance Bonds	50% of the maximum annual principal and interest
Multifamily Housing Revenue Bonds (Marywood)	Six months of maximum annual interest
Homeowner Mortgage Revenue Bonds Residential Mortgage Revenue Bonds	The sum of all amounts established by each series resolution, but such amount cannot be less than 2% for the Homeowner Mortgage Revenue Bonds, and 4% for the Residential Mortgage Revenue Bonds, of the sum of (i) the outstanding principal balance or related mortgage loans and (ii) the amounts on deposit to the credit of series program accounts on the program fund

The amounts of such reserves, for measurement purposes against the various bond resolution reserve requirements, are valued at book value or par, or, if purchased at less than par, at their cost to the Authority. At June 30, 2003, these amounts, which were not less than the amounts required, are as follows:

Housing Development Bonds	$8,660,515
Multi-Family Housing Bonds	47,233,262
Fixed Rate Housing Bonds	1,173,801
Multi-Family Program Bonds	30,339,224
Housing Bonds	211,298
Housing Finance Bonds	519,000
Multi-Family Variable Rate Demand Bonds	359,511
Multi-Family Housing Revenue Bonds	806,347
Multifamily Housing Revenue Bonds (.Marywood)	405,465
Residential Mortgage Revenue Bonds	5,458,684
Homeowner Mortgage Revenue Bonds	32,613,733
	$127,780,840

In addition to the above, the debt service reserve requirement of the Affordable Housing Program Trust Fund Bonds ($8,848,236) at June 30, 2003, is satisfied through the Authority's holding of a surety bond.

Debt service on the Multifamily Bonds, Series 2003 (Turnberry Village II Apartments) is supported by the Authority's issuance of a participation certificate. The full and complete payment of all scheduled payments of principal and interest due under the participation certificate are unconditionally and irrevocably guaranteed pursuant to a surety bond.

Other Maturity Information

Bonds maturing on or after the following dates are redeemable at the option of the Authority at prescribed redemption prices greater than 100%, decreasing periodically, expressed as a percentage of the principal amount, as follows:

Issue	Maturity On or after	Redemption Price		
Housing Development Bonds:				
1993 Series A	July 1, 2004	102	to	100%
1999 Series A	Mar. 1, 2009	101	to	100
Multi-Family Housing Bonds:				
1991 Series A and C	July 1, 2003	101	to	100
1992 Series A	July 1, 2003	102	to	100
1993 Series A and C	July 1, 2003	102	to	100
1994 Series A and B	Jan. 1, 2005	102	to	100
1995 Series A	July 1, 2005	102	to	100
1999 Series A	Mar. 1, 2009	101	to	100

Issue	Maturity On or after	Redemption Price		
Fixed Rate Housing Bonds, 1984 Series A and D…………	July 1, 2003	100.5	to	100
Multi-Family Program Bonds:				
Series 1……………………………………………….…	Mar. 1, 2003	102	to	100
Series 3……………………………………………….…	Sept. 1, 2003	102	to	100
Series 5……………………………………………….…	Sept. 1, 2004	102	to	100
Series 7……………………………………………….…	Mar. 1, 2006	102	to	100
Housing Bonds, 1999 A……………………………………	Mar. 1, 2009	101	to	100
Residential Mortgage Revenue Bonds, 1993 Series A and B	Feb. 1, 2004	102	to	100
Homeowner Mortgage Revenue Bonds:				
1994 Series A ………………………………………….	Aug. 1, 2004	102	to	100
1994 Series B and 1995 Series A………………………	Feb. 1, 2005	102	to	100
1994 Series C…………………………………………..	Aug. 1, 2005	102	to	100
1995 Series B…………………………………………..	May 1, 2005	102	to	100
1995 Series C ……………………………………….…	Oct. 1, 2006	102	to	100
1995 Series D…………………………………………..	Aug. 1, 2005	102	to	100
1995 Series E…………………………………………..	Aug. 1, 2005	102	to	100
1995 Series E…………………………………………..	Jan. 1, 2007	102	to	100
1996 Series A and B……………………………………	Feb. 1, 2006	102	to	100
1996 Series C and E……………………………………	Aug. 1, 2006	102	to	100
1997 Series A…………………………………………..	Feb. 1, 2007	102	to	100
1997 Series B remarketed April 30, 1998……………..	May 1, 2008	102	to	100
1997 Series B remarketed June 29, 1998………………	July 1, 2008	102	to	100
1997 Series C…………………………………………..	Aug. 1, 2007	102	to	100
1997 Series D and 1996 Series F………………………	Jan. 1, 2008	102	to	100
1998 Series A………………………………………….	April 1, 2008	101	to	100
1998 Series C………………………………………….	June 1, 2008	101	to	100
1998 Series D remarketed October 7, 1998 and 1998 Series E………………………………………..	Oct. 1, 2008	101.5	to	100
1998 Series D remarketed December 17, 1998…….….	Dec. 1, 2008	101.5	to	100
1998 Series D remarketed April 29, 1999…………….…	April 1, 2009	101.5	to	100
1998 Series G………………………………………….…	Aug. 1, 2008	101	to	100
1999 Series A and B remarketed January 26, 2001….…	Jan. 1, 2010	101	to	100
Affordable Housing Program Trust Fund Bonds, Series 1994 A	Aug. 1, 2004	102	to	100

Debt service requirements (in $ millions) through 2008 and in five-year increments thereafter to maturity for the Authority's proprietary funds are as follows:

Year Ending June 30	Mortgage Loan Program Fund Principal*	Mortgage Loan Program Fund Interest	Single Family Program Fund Principal*	Single Family Program Fund Interest	Total Principal	Total Interest
2004	28.3	53.8	110.6	46.6	138.9	100.4
2005	30.2	51.9	20.8	45.6	51.0	97.5
2006	31.8	49.8	23.9	44.6	55.7	94.4
2007	39.4	47.5	25.4	43.3	64.8	90.8
2008	39.3	45.0	25.5	42.0	64.8	87.0
Five Years Ending June 30						
2009-2013	216.5	185.9	136.5	189.4	353.0	375.3
2014-2018	232.4	114.3	158.4	147.4	390.8	261.7
2019-2023	146.0	53.8	112.2	110.0	258.2	163.8
2024-2028	88.8	17.4	198.7	69.2	287.5	86.6
2029-2033	15.4	5.3	115.5	14.6	130.9	19.9
2034-2038	4.1	2.6	1.7	0.1	5.8	2.7
2039-2043	5.3	1.4	-	-	5.3	1.4
2044-2048	2.2	0.2	-	-	2.2	0.2

* Includes capital appreciation bonds at their final redemption values.

Derivatives

The Authority, as of June 30, 2003 has six active swap contracts, an interest rate cap, and a forward delivery swap. Details are shown in the following table.

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values [3]	Swap Termination Date	Counterparty Credit Rating
MVRDB*							
Series 1996A	$5,135,000	12/98	6.41%	30 day nonfinancial CP	$(981,850)	12/2008	A+/Aa3
Series 1996A	$3,000,000	4/99	6.06%	30 day nonfinancial CP	$(87,378)	12/2003	AA-/Aa3
MHRB**							
Series 2000A (Lakeshore Plaza)[1]	$42,385,000	6/02	5.51%	Actual bond rate	$(2,706,924)	7/2027	AAA/Aaa
HMRB***							
Series 2001 D	$7,855,000	7/01	6.13%	1mo LIBOR +30bp	$(1,011,724)	2/2010	AAA/Aaa
Series 2001F	$10,000,000	1/02	6.615%	1mo LIBOR +40bp	$(2,312,589)	8/2020	A+/Aa3
Series 2002B	$10,000,000	5/02	6.145%	1mo LIBOR +41.5bp	$(1,487,596)	2/2023	AAA/Aaa
INTEREST RATE CAP							
MHRB**							
Series 1997 (Camelot Development)	$14,170,000	11/97	5.75%		$(126,366)	12/2007	AA-/Aa3
FORWARD DELIVERY SWAP							
AHPTFB****							
Series 1994A [2]	$24,115,000	8/04	6.50%	1mo LIBOR	$(4,071,090)	6/2026	A/A2

*Multi-Family Variable Rate Demand Bonds
**Multi-Family Housing Revenue Bonds
***Homeowner Mortgage Revenue Bonds
****Affordable Housing Program Trust Fund Bonds

[1] $550,000 premium received 9-17-98. Par termination rights at Authority's option beginning 7/1/05.
[2] Counterparty collateralizes negative market value.
[3] Includes accrued interest.

To protect against the potential of rising interest rates, the Authority has entered into six pay-fixed, receive variable interest rate swap agreements, the objective of which is to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the Authority issued fixed-rate debt. In addition, the Authority has entered into an interest rate cap agreement, the objective of which is to establish a maximum debt service which may be paid over the life of the underlying bonds, and a forward delivery swap agreement, which will create a synthetic fixed interest rate on bonds which the Authority intends to issue at a future date.

The terms, fair values, and credit ratings of the outstanding agreements as of June 30, 2003 are as shown in the above table. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable category.

Because interest rates have declined since the implementation of the swap agreements, all currently active swaps had a negative fair value as of June 30, 2003. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

As of June 30, 2003, the Authority was not exposed to credit risk because of the negative fair values of the swaps. Should interest rates change and the fair values become positive, the Authority would be exposed to credit risk in the amount of the swaps fair value. Fair value is a factor only upon termination.

One swap agreement contains a collateral agreement, at 105%, as determined by a formula, with the counter-party. The remaining swaps do not have collateral agreements. Collateral is in the form of cash, U.S. government securities or Federal Agency debentures.

Basis risk on swaps occurs when the variable payment received is based on an index other than the index on the underlying bonds. The Authority believes its swap agreements have been structured to minimize or eliminate this risk.

The Authority or the counter-party may terminate any of the swap agreements if the other party fails to perform under the terms of the agreements. If a swap is insured, a termination event occurs if the insurer fails to meet its obligations under the agreement.

The Authority is not exposed to rollover risk on its swap agreements.

As of June 30, 2003, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Illinois Housing Development Authority
Swap Payments and Associated Debt

Variable-Rate Bonds

Fiscal Year(s) Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2004	$2,525,000	$910,497	$3,425,642	$6,861,139
2005	3,055,000	871,682	3,305,034	7,231,716
2006	3,085,000	827,494	3,167,584	7,080,078
2007	6,565,000	784,349	3,031,091	10,380,440
2008	7,550,000	705,595	2,865,856	11,121,451
Five Year(s) Ending June 30				
2013	9,145,000	2,741,306	10,935,063	22,821,369
2018	15,230,000	2,152,918	8,640,622	26,023,540
2023	15,735,000	983,018	4,473,248	21,191,266
2028	11,385,000	277,782	1,333,344	12,996,126
Total	$74,275,000	$10,254,641	$41,177,484	$125,707,125

As rates vary, variable-rate bond interest payments and net swap payments will vary.

NOTE G—DEPOSITS HELD IN ESCROW

Deposits from developers, which are held in escrow in the Administrative Fund, may be used when necessary to pay principal and interest payments and fund construction cost overruns, change orders, tax and insurance payments and capital improvements (see Note E). In addition, on certain developments, letters of credit and assignments of syndication proceeds are held by the Authority for similar purposes and to fund potential operating deficits of the related developments. Investment income earned on deposited funds is credited to the respective developer's escrow accounts.

NOTE H—LEASES

The Authority leases office facilities under a lease which extends through July 31, 2006, and which provides the Authority an option to extend the lease five years beyond that date and, during certain time periods, to lease additional office facilities.

The office lease provides for annual base rent of approximately $787,000 for the fiscal year 2003 and escalates by approximately $27,000 annually throughout the lease period, plus estimated payments totaling $852,610 in fiscal year 2003 for the Authority's 7.488% share of ownership taxes and operating expenses, which also are subject to adjustment, based on the actual costs incurred by the lessor.

During fiscal year 2001, the Authority was assigned an interest in a sublease, which terminates on October 31, 2003, for additional office space. The cost of this space approximates $64,600 annually.

For fiscal year 2003, total rent expense of the Authority was $1,683,317.

NOTE I—OTHER LIABILITIES

Included in Other Liabilities at June 30, 2003 is $10,972,110 in undisbursed Risk Sharing Loan proceeds and $15,490,306 in undisbursed Ambac Loan proceeds.

The bonds issued by the Authority after 1980 are subject to a variety of Internal Revenue Service ("IRS") regulations which limit the amount of income which may be earned with non-mortgage investments to an amount not greater than the amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS.

Excess earnings must be rebated annually, or every five years, depending on the date and type of bond issue. Included in Other Liabilities at June 30, 2003, is an estimated rebate liability of $4,815,616.

The Authority is a defendant in various legal actions arising from normal business activities. Management believes, after consultation with legal counsel, that the ultimate liability, if any, resulting from these legal actions will not materially affect the Authority's financial position or results of operations.

The Authority carries commercial insurance for director's and officer's liability, general liability, workers' compensation, and automobile ownership and usage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J—RETIREMENT PLAN

The Authority provides a defined contribution retirement plan for the benefit of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time employees are eligible to participate in and are fully vested in the plan from the date of employment. All plan assets and investments are administered by a trustee, which maintains an individual account for each participant. The Authority contributes 6% of its employees' salaries and employees, at their option, may contribute up to 19% (within a maximum dollar limit) of their salaries to the plan. In addition, the Authority, under the provisions of the Economic Growth and Tax Relief Act of 2001, permits additional contributions each calendar year for those employees who attain age 50 (or higher) during the calendar year. The plan may be amended or terminated by the Authority at any time and for any reason in the future, but no such action can deprive employees of their vested interests.

The Authority's total payroll in fiscal year 2003 was $10,493,305. The Authority's contributions were calculated using the base salary amount of $10,350,367. The Authority contributed $694,299 or 6% of the base salary amount, in fiscal year 2003. Employee contributions amounted to $668,501 in fiscal year 2003, or 6.7 % of the base salary amount.

NOTE K—COMMITMENTS

At June 30, 2003 unexpended bond proceeds held by the Authority in the form of cash and investments amounting to $95,968,196 in the Homeowner Mortgage Revenue Bond accounts were identified for the purpose of purchasing various mortgage loans.

At June 30, 2003, the Authority had authorized commitments for loans and grants totaling $24,036,226 and $4,895,025 respectively, of the Illinois Affordable Housing Trust Fund.

Under the HOME Program, $228.9 million and $24.8 million for federal fiscal years 1992 through 2002 and 2003, respectively, have been allocated to the State, to be administered by the Authority, under the HOME Program provisions of the 1990 National Affordable Housing Act. In fiscal year 1994, the Authority was allocated $10.2 million of additional HOME funds to be used for flood disaster relief. At June 30, 2003, the Authority had authorized commitments for loans and grants of $17,439,862 and $23,924,706 respectively for the HOME Program.

In accordance with an agreement entered into by the Authority and HUD at the time of delivery of the Authority's Multi-Family Housing Bonds, 1982 Series A, 1982 Series B and 1983 Series A, annual Section 8 contributions payable to HUD with respect to the developments financed by these bonds would be reduced to the extent of the debt service savings resulting from the early redemptions of these Bonds.

These redemptions were accomplished through the issuance of the Authority's Multi-Family Housing Bonds, 1991 Series A and B, 1992 Series A and B and 1993 Series A and B. Pursuant to federal legislation and a written agreement with the Authority, HUD has agreed to share a portion of such savings (the FAF Savings Program) with the Authority in order to create and maintain affordable housing opportunities for individuals of "very low income" (as such term is defined in the 1937 Housing Act) in the State. These savings, which are to be used solely for the purpose stated above, became available beginning in fiscal year 1992 for the 1991 Series A and B Bonds and in fiscal year 1994 for the 1993 Series A and B Bonds, and are recorded as other income of the Administrative Fund. At June 30, 2003, loans receivable under this program were approximately $13.4 million.

NOTE L—CONTINGENCIES

HUD's Office of General Counsel (OGC) has expressed the opinion that certain language used in the form of Housing Assistance Payments (HAP) Contracts in use prior to February 1980, for State Agency projects with mortgages that were not insured by FHA, has the effect of terminating those HAP Contracts upon refinancing of the related project mortgages. While only expressed in the form of an internal memorandum, this opinion has been communicated by HUD to the public. The position expressed in the opinion has not been promulgated in any official form, nor has HUD taken any action to impose consequences that might arise from the opinion on projects that were previously refinanced. The Authority has determined that approximately 57 of the Section 8 projects, which it has financed, have been refinanced in a fashion that might cause a termination of the related HAP Contracts under such OGC opinion.

Were HUD to stop HAP payments to affected projects and/or attempt to recover previously made payments, such action could adversely affect project income, the Authority's revenues from those projects and, as a consequence thereof, the Authority's financial position. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent its position regarding the pre-1980 HAP form contract language from having an adverse impact upon the affected projects and State Agencies. In addition, HUD has offered to approve an amendment to the affected HAP contracts that would amend the language at issue to clarify that the term of the form HAP contract extends to the originally scheduled maturity date of the original HFA financing. Of the 57 Authority-financed projects that have refinanced, 34 of these projects have executed such amendments, and these amendments have been approved by HUD. Further, while it is not possible to predict with certainty the outcome of any litigation, the Authority has been advised by counsel that if HUD were to attempt to recover previously made payments under the HAP contracts related to these projects, HUD would be unlikely to prevail.

NOTE M—CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2003, the Authority changed its fund structure for proprietary funds. Specifically, the Authority redefined the activities and programs that were reported within individual funds. The activities previously reported in the following funds were combined into the Mortgage Loan Program Fund and Single Family Program Fund. The effect of this change on fund balance as of June 30, 3002 was as follows:

	Fund Balance June 30, 2002, as previously reported	Adjustment	Fund Balance June 30, 2002, as restated
Multi-Family Housing Bonds Fund	$ 50,016,535	(50,016,535)	—
Multi-Family Program Bonds Fund	9,976,637	(9,976,637)	—
Housing Development Bonds Fund	33,412,019	(33,412,019)	—
Fixed Rate Housing Bonds Fund	8,851,412	(8,851,412)	—
Housing Bonds Fund	348,121	(348,121)	—
Housing Finance Bonds Fund	170,016	(170,016)	—
Multi-Family Variable Rate Demand Bonds Fund	1,782,206	(1,782,206)	—
Multi-Family Housing Revenue Bonds Fund	4,891,330	(4,891,330)	—
Affordable Housing Program Trust Fund Bonds Fund	13,902,634	(13,902,634)	—
Mortgage Loan Program Fund	—	123,350,910	123,350,910
Total	$ 123,350,910	—	123,350,910
Homeowner Mortgage Revenue Bonds Fund	$ 8,902,975	(8,902,975)	—
Residential Mortgage Revenue Bonds Fund	35,767,958	(35,767,958)	—
Single Family Program Fund	—	44,670,933	44,670,933
Total	$ 44,670,933	—	44,670,933

Additionally, during fiscal year 2003 the Authority adopted GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and has applied the statement disclosure requirements in the financial statements.

NOTE N—SUBSEQUENT EVENTS

On September 30, 2003, the Authority issued its Homeowner Mortgage Revenue Bonds, 2003 Series B, in the aggregate principal amount of $50,000,000, maturing in 2004 through 2034, at initial interest rates of 1.20% to 5.15%. These bonds are special limited obligations of the Authority.

(THIS PAGE INTENTIONALLY LEFT BLANK)

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS
As of June 30, 2003

ASSETS	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Current assets:												
Cash and cash equivalents	$ 53,683	844	88,034	62,520	298		543,089	899,336	171,707	194,406		2,013,917
Investment income receivable	1,515,941	1,027,501	399,171	29,581	778,946	21,620	9,633	5,549	15,620		56,989	3,860,551
Program loans receivable	7,751,000	8,851,000	3,771,000	281,000	334,000	200,000					3,232,000	24,420,000
Interest receivable on program loans	331,311	187,281	1,079,396	469,693	94,088	76,598	51,464	13,231	123,468		637,112	3,063,642
Due from other funds		6,873,583	3,767,348	668,189	813			13,260,994		9,663		24,580,590
Total current assets	9,651,935	16,940,209	9,104,949	1,510,983	1,208,145	298,218	604,186	14,179,110	310,795	204,069	3,926,101	57,938,700
Noncurrent assets:												
Investments - Restricted	93,318,201	50,954,348	34,223,311	8,984,926	32,485,797	1,097,783	2,088,990	6,074,928	10,197,711		12,707,597	252,133,592
Program loans receivable, net of current portion	222,689,728	242,957,625	77,595,877	9,650,970	8,646,616	14,067,955	8,085,809	9,796,400	7,397,134	5,320,000	83,274,934	689,483,048
Less allowance for estimated losses	(3,500,000)		(3,900,000)	(250,000)	(1,000,000)		(100,000)				(5,000,000)	(13,750,000)
Net program loans receivable	219,189,728	242,957,625	73,695,877	9,400,970	7,646,616	14,067,955	7,985,809	9,796,400	7,397,134	5,320,000	78,274,934	675,733,048
Unamortized bond issuance costs	6,205,229		588,310	161,018	708,091		121,773	1,172,628			1,400,731	10,357,780
Real estate held for sale (net)								29,881,739				29,881,739
Other	15,875	27,226			278,794			1,460,563			185,293	1,967,751
Total noncurrent assets	318,729,033	293,939,199	108,507,498	18,546,914	41,119,298	15,165,738	10,196,572	48,386,258	17,594,845	5,320,000	92,568,555	970,073,910
Total assets	$ 328,380,968	310,879,408	117,612,447	20,057,897	42,327,443	15,463,956	10,800,758	62,565,368	17,905,640	5,524,069	96,494,656	1,028,012,610
LIABILITIES												
Current liabilities:												
Bonds and notes payable	$ 8,635,000	10,135,000	3,820,000	320,000	1,980,000	205,000		800,000			2,395,000	28,290,000
Accrued interest payable	8,576,448	6,549,590	2,187,793	254,233	984,226	306,207	7,900	47,586	120,875	8,928	546,421	19,590,207
Accrued liabilities and other	7,007,623	2,003,600	85,079		7,483	86,723			1,897,855	194,406	203,060	11,485,829
Due to other funds	1,286,959	454,892	873,803	14,294		36,773	802,447	556,041			62,923	4,088,132
Total current liabilities	25,506,030	19,143,082	6,966,675	588,527	2,971,709	634,703	810,347	1,403,627	2,018,730	203,334	3,207,404	63,454,168
Noncurrent liabilities:												
Bonds and notes payable, net of current portion	248,037,019	280,455,000	74,718,882	10,200,000	39,070,000	14,620,000	8,135,000	55,755,000	15,865,000	5,320,000	78,460,000	830,635,901
Total liabilities	$ 273,543,049	299,598,082	81,685,557	10,788,527	42,041,709	15,254,703	8,945,347	57,158,627	17,883,730	5,523,334	81,667,404	894,090,069
NET ASSETS												
Restricted for bond resolution purposes	$ 54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252	133,922,541
Total net assets	$ 54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252	133,922,541

See accompanying independent auditor's report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multifamily Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Operating revenues:												
Interest and other investment income ……..……......	$ 2,781,951	2,895,155	882,550	204,635	1,413,225	175,061	58,594	217,494	19,317		795,819	9,443,801
Net increase (decrease) in fair value of investments...	1,819,952	214,175		206,844			7,492	(4,632)				2,243,831
Total investment income ...………..……......…….	4,601,903	3,109,330	882,550	411,479	1,413,225	175,061	66,086	212,862	19,317		795,819	11,687,632
Interest earned on program loans ………..................	19,472,534	18,187,165	6,124,200	713,683	503,865	903,874	624,530	186,306	123,468	9,663	2,929,810	49,779,098
Federal assistance programs …....……….................	153,762		4,709,160	678,431	285,299							5,826,652
Other …...............................……......…….............								2,918,080				2,918,080
Total operating revenues ….............……............	24,228,199	21,296,495	11,715,910	1,803,593	2,202,389	1,078,935	690,616	3,317,248	142,785	9,663	3,725,629	70,211,462
Operating expenses:												
Interest expense ....………...…....………………..	19,237,178	19,951,032	4,485,345	707,204	2,085,825	1,026,548	578,170	2,622,916	120,875	8,928	6,787,131	57,611,152
Federal assistance programs ....………………	153,762		4,709,160	678,431	285,299							5,826,652
Professional fees ……..................……………………					3,000	3,000						6,000
Financing costs …...........………………………..........	15,875	40,774	6,534		538	10,150	39,241	178,921			213,880	505,913
Provision for estimated losses on program loans receivable ………………											1,000,000	1,000,000
Total operating expenses ....……………………	19,406,815	19,991,806	9,201,039	1,385,635	2,374,662	1,039,698	617,411	2,801,837	120,875	8,928	8,001,011	64,949,717
Operating income (loss) ....………………..	4,821,384	1,304,689	2,514,871	417,958	(172,273)	39,237	73,205	515,411	21,910	735	(4,275,382)	5,261,745
Other:												
Transfers in …...........………………………............					109,886						5,200,000	5,309,886
Change in net assets ....……………………...	4,821,384	1,304,689	2,514,871	417,958	(62,387)	39,237	73,205	515,411	21,910	735	924,618	10,571,631
Net assets at beginning of year …………………………	50,016,535	9,976,637	33,412,019	8,851,412	348,121	170,016	1,782,206	4,891,330			13,902,634	123,350,910
Net assets at end of year ...…………………...………	$ 54,837,919	11,281,326	35,926,890	9,269,370	285,734	209,253	1,855,411	5,406,741	21,910	735	14,827,252	133,922,541

See accompanying independent auditor's report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

MORTGAGE LOAN PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2003

	Multi-Family Housing Bonds	Multi-Family Program Bonds	Housing Development Bonds	Fixed Rate Housing Bonds	Housing Bonds	Housing Finance Bonds	Multi-Family Variable Rate Demand Bonds	Multi-Family Housing Revenue Bonds	Multi-Family Housing Revenue Bonds (Marywood)	Multi-Family Bonds (Turnberry)	Affordable Housing Program Trust Fund Bonds	Total
Cash flows from operating activities:												
Cash received from interest, service fees, and principal on program loans	$ 26,378,846	27,778,978	15,506,182	1,162,934	800,795	1,102,553	598,674	189,481			5,864,508	79,382,951
Cash payments for loaned amounts	(4,994,382)		(1,416,234)						(7,397,134)	(5,320,000)		(19,127,750)
Cash received from federal assistance programs	76,939		3,531,870	508,952	213,975							4,331,736
Cash payments for federal assistance programs	(76,939)		(3,531,870)	(508,952)	(213,975)							(4,331,736)
Interest on investments	3,801,922	2,888,491	910,718	205,213	1,624,694	174,420	58,596	129,778	3,697		785,447	10,582,976
Other	(16,395)	(40,774)	78,545		(738,847)	(1,219)		2,766,099	1,897,855	194,406	(429,677)	3,709,993
Net cash provided by (used in) operating activities	25,169,991	30,626,695	15,079,211	1,368,147	1,686,642	1,275,754	657,270	3,085,358	(5,495,582)	(5,125,594)	6,220,278	74,548,170
Cash flows from noncapital financing activities:												
Proceeds from sale of revenue bonds and notes						19,055,000			15,865,000	5,320,000		40,240,000
Principal paid on revenue bonds and notes	(7,590,000)	(9,380,000)	(3,640,000)	(295,000)	(6,280,000)	(19,255,000)		(800,000)			(2,230,000)	(49,470,000)
Interest paid on revenue bonds and notes	(17,410,913)	(20,189,918)	(4,489,823)	(773,394)	(2,109,212)	(1,045,771)	(129,197)	(789,188)			(6,679,310)	(53,616,726)
Transfers in					109,886						5,200,000	5,309,886
Other							(389,624)	(1,794,760)				(2,184,384)
Net cash provided by (used in) used in noncapital financing activities	(25,000,913)	(29,569,918)	(8,129,823)	(1,068,394)	(8,279,326)	(1,245,771)	(518,821)	(3,383,948)	15,865,000	5,320,000	(3,709,310)	(59,721,224)
Cash flows from investing activities:												
Purchase of investment securities	(100,905,746)	(28,173,918)	(60,728,022)	(21,740,774)	(16,185,444)	(96,582,884)	(3,394,011)	(17,991,819)	(10,197,711)		(11,502,318)	(367,402,647)
Proceeds from sales and maturities of investment securities	100,710,984	27,111,544	53,843,146	21,475,981	22,769,014	96,537,258	3,200,861	18,245,084			8,991,350	352,885,222
Net cash provided by (used in) investing activities	(194,762)	(1,062,374)	(6,884,876)	(264,793)	6,583,570	(45,626)	(193,150)	253,265	(10,197,711)		(2,510,968)	(14,517,425)
Net increase (decrease) in cash and cash equivalents	(25,684)	(5,597)	64,512	34,960	(9,114)	(15,643)	(54,701)	(45,325)	171,707	194,406		309,521
Cash and cash equivalents at beginning of year	79,367	6,441	23,522	27,560	9,412	15,643	597,790	944,661				1,704,396
Cash and cash equivalents at end of year	$ 53,683	844	88,034	62,520	298		543,089	899,336	171,707	194,406		2,013,917
Reconciliation of operating income (loss) to net cash provided by operating activities:												
Operating income (loss)	$ 4,821,384	1,304,689	2,514,871	417,958	(172,273)	39,237	73,205	515,411	21,910	735	(4,275,382)	5,261,745
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Interest expense	19,237,178	19,951,032	4,485,345	707,204	2,085,825	1,026,548	578,170	2,622,916	120,875	8,928	6,787,131	57,611,152
Depreciation and amortization								800,000				800,000
Provision for estimated losses on program loans receivable											1,000,000	1,000,000
Changes in assets and liabilities:												
Decrease (increase) in investment income receivable	(16,483)	(7,262)	28,168		31,336	(641)	(695)	(1,492)	(15,620)		(10,372)	6,939
Decrease (increase) in program loan and interest receivable	2,636,748	9,128,252	7,953,299	449,251	322,441	187,255	(40,857)	3,175	(7,520,602)	(5,320,000)	2,930,922	10,729,884
Increase (decrease) in due to/from other funds	(725,338)	463,561	12,449		(23,974)	20,249	54,242	178,921		(9,663)	(217,133)	(246,686)
Increase (decrease) in other liabilities	935,168		85,079		(556,713)	(12,538)		(61,316)	1,897,855	194,406		2,481,941
Decrease (increase) in other assets								(145,051)			5,112	(139,939)
Other	(1,718,666)	(213,577)		(206,266)		15,644	(6,795)	(827,206)				(2,956,866)
Total adjustments	20,348,607	29,322,006	12,564,340	950,189	1,858,915	1,236,517	584,065	2,569,947	(5,517,492)	(5,126,329)	10,495,660	69,286,425
Net cash provided by (used in) operating activities	$ 25,169,991	30,626,695	15,079,211	1,368,147	1,686,642	1,275,754	657,270	3,085,358	(5,495,582)	(5,125,594)	6,220,278	74,548,170

See accompanying independent auditor's report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF NET ASSETS
As of June 30, 2003

ASSETS	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Current assets:			
Cash and cash equivalents	$ 5,867,060	1,045,828	6,912,888
Investment income receivable	4,514,229	362,845	4,877,074
Program loans receivable	10,046,000	1,061,000	11,107,000
Interest receivable on program loans	2,902,571	165,184	3,067,755
Due from other funds	44,981	318,117	363,098
Total current assets	23,374,841	2,952,974	26,327,815
Noncurrent assets:			
Investments - Restricted	307,961,298	16,545,947	324,507,245
Program loans receivable, net of current portion	594,829,963	27,022,066	621,852,029
Unamortized bond issuance costs	12,504,966	195,555	12,700,521
Real estate held for sale (net)	1,184,586	90,824	1,275,410
Total noncurrent assets	916,480,813	43,854,392	960,335,205
Total assets	$ 939,855,654	46,807,366	986,663,020
LIABILITIES			
Current liabilities:			
Bonds and notes payable	$ 109,605,000	945,000	110,550,000
Accrued interest payable	19,278,419	252,120	19,530,539
Accrued liabilities and other	2,517,014	33,100	2,550,114
Due to other funds	1,762,106	44,981	1,807,087
Total current liabilities	133,162,539	1,275,201	134,437,740
Noncurrent liabilities:			
Bonds and notes payable, net of current portion	803,341,495	10,065,420	813,406,915
Total liabilities	$ 936,504,034	11,340,621	947,844,655
NET ASSETS			
Restricted for bond resolution purposes	$ 3,351,620	35,466,745	38,818,365
Total net assets	$ 3,351,620	35,466,745	38,818,365

See accompanying independent auditor's report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

(A Component Unit of the State of Illinois)

SINGLE FAMILY PROGRAM FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2003

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Operating revenues:			
Interest and other investment income	$ 10,330,099	996,830	11,326,929
Net increase in fair value of investments	573,919	293,821	867,740
Total investment income	10,904,018	1,290,651	12,194,669
Interest earned on program loans	41,482,591	1,849,658	43,332,249
Total operating revenues	52,386,609	3,140,309	55,526,918
Operating expenses:			
Interest expense	59,223,579	1,461,678	60,685,257
Salaries and benefits		10,664	10,664
Professional fees	48,000	18,000	66,000
Other general and administrative	155,297	63,591	218,888
Financing costs	478,324	22,113	500,437
Total operating expenses	59,905,200	1,576,046	61,481,246
Operating income (loss)	(7,518,591)	1,564,263	(5,954,328)
Other:			
Transfers in	1,967,418		1,967,418
Transfers out	(182)	(1,865,476)	(1,865,658)
Total other	1,967,236	(1,865,476)	101,760
Change in net assets	(5,551,355)	(301,213)	(5,852,568)
Net assets at beginning of year	8,902,975	35,767,958	44,670,933
Net assets at end of year	$ 3,351,620	35,466,745	38,818,365

See accompanying independent auditor's report.

ILLINOIS HOUSING DEVELOPMENT AUTHORITY
(A Component Unit of the State of Illinois)

SINGLE FAMILY PROGRAM FUND
COMBINING SCHEDULE OF CASH FLOWS
For the Year Ended June 30, 2003

	Homeowner Mortgage Revenue Bonds	Residential Mortgage Revenue Bonds	Total
Cash flows from operating activities:			
Cash received from interest, service fees, and principal on program loans	$ 326,935,199	14,996,369	341,931,568
Cash payments for loaned amounts	(115,180,213)		(115,180,213)
Cash payments for operating expense		(354,957)	(354,957)
Interest on investments	9,428,701	871,225	10,299,926
Other	(1,664,156)	43,243	(1,620,913)
Net cash provided by operating activities	219,519,531	15,555,880	235,075,411
Cash flows from noncapital financing activities:			
Proceeds from sale of revenue bonds and notes	245,485,000		245,485,000
Principal paid on revenue bonds and notes	(331,950,000)	(11,385,000)	(343,335,000)
Interest paid on revenue bonds and notes	(56,245,068)	(1,196,559)	(57,441,627)
Transfers in	1,967,418		1,967,418
Transfers out	(182)	(1,865,476)	(1,865,658)
Other	(1,884,976)		(1,884,976)
Net cash used in noncapital financing activities	(142,627,808)	(14,447,035)	(157,074,843)
Cash flows from investing activities:			
Purchase of investment securities	(755,800,194)	(39,146,005)	(794,946,199)
Proceeds from sales and maturities of investment securities	668,791,277	36,430,248	705,221,525
Net cash used in investing activities	(87,008,917)	(2,715,757)	(89,724,674)
Net decrease in cash and cash equivalents	(10,117,194)	(1,606,912)	(11,724,106)
Cash and cash equivalents at beginning of year	15,984,254	2,652,740	18,636,994
Cash and cash equivalents at end of year	$ 5,867,060	1,045,828	6,912,888
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (7,518,591)	1,564,263	(5,954,328)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Interest expense	59,223,579	1,461,678	60,685,257
Changes in assets and liabilities:			
Increase in investment income receivable	(418,455)	(131,946)	(550,401)
Decrease in program loan and interest receivable	170,272,395	13,146,711	183,419,106
Increase (decrease) in due to/from other funds	681,620	(240,590)	441,030
Decrease in other liabilities	(1,619,784)		(1,619,784)
Decrease (increase) in other assets	(527,237)	43,244	(483,993)
Other	(573,996)	(287,480)	(861,476)
Total adjustments	227,038,122	13,991,617	241,029,739
Net cash provided by operating activities	$ 219,519,531	15,555,880	235,075,411

See accompanying independent auditor's report.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B

DESCRIPTION OF FEDERAL SECTION 236 INTEREST RATE REDUCTION PROGRAM AND SECTION 8 SUBSIDY PROGRAM

Federal Section 236 Interest Rate Reduction Program

The mortgage loans (the "Section 236 Mortgage Loans") for some of the HDB Developments (the "Section 236 Developments") are subject to the multi-family interest reduction subsidy program administered by HUD pursuant to Section 236 of the National Housing Act. The following is a brief description of the Section 236 Program, and is qualified in its entirety by reference to the National Housing Act and the regulations thereunder.

Section 236 of the National Housing Act provides for interest reduction payments to mortgage holders ("Section 236 Payments") with respect to mortgages on rental housing projects designed for families of lower income (as determined by HUD) containing five or more dwelling units. No such payment may exceed the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as mortgagor is obligated to pay under the mortgage (or, if only a portion of the units in a project are subsidized, the allocable portion of the mortgage) and the monthly payment for principal and interest which such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of one percent per annum. For each dwelling unit in a project there must be established, with the approval of HUD (i) a basic rental charge, determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of one percent per annum and (ii) a fair market rental charge, determined on the basis of operating the project with payments of principal, interest, and any mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit must be at such basic rental charge or such greater amount, not exceeding (a) such fair market rental charge, or (b) the actual rent paid for a comparable unit in comparable unassisted housing in the market area in which such housing is located, up to 30 percent of the tenant's income. Tenants whose income increases above the levels established by HUD after initial occupancy are permitted to remain at increased rentals, however, such excess rental charges must be paid by the Owner to HUD in some cases, as discussed below.

An additional "deep subsidy" entitled "Rental Assistance Payments" ("RAP") was introduced by HUD in 1975 under Section 236(f)(2) of the National Housing Act. The RAP program is designed to assist tenants in Section 236 projects who cannot afford to pay basic rent. The owner of an eligible Section 236 rental project may receive RAP payments from HUD on a specified percentage of dwelling units in the project. Such payments may be made in an amount equal to the difference between the basic rental of a dwelling unit and 30 percent of an eligible tenant's monthly income. Tenant eligibility for Rental Assistance Payments is based only on income, which must be less than the applicable HUD designated income limit for the area. RAP payments are limited by contract authority on an individual project basis. Each such contract may or may not be sufficient to fully accommodate increased rents. Tenants in Section 236 Developments may also receive subsidies under the Section 8 subsidy program.

Certain Terms of the Section 236 Contracts

The interest reduction payment agreements with HUD (the "Section 236 Contracts") provide for the payment of the Section 236 Payments for a period of not more than 50 years from the date of the initial Section 236 Payments with respect to the applicable Section 236 development. Generally, the expiration dates of the Section 236 Contracts for the Section 236 Mortgage Loans relating to the Section 236 Developments financed directly or indirectly by the Offered Bonds are approximately coterminous with the maturity of the underlying mortgages.

Reduction and Termination of Section 236 Payments

Each Section 236 Mortgage provides that the mortgagor must maintain hazard insurance on the Section 236 project with such coverage and in such amounts as are satisfactory to the Authority and such that in the event of any damage to the Section 236 project all insurance proceeds are payable to the Authority. In addition, the Authority has responsibility for determining appropriate coverage amounts for insurance policies and application of proceeds thereof. In the event any dwelling unit is destroyed or rendered uninhabitable by reason of fire or any other insured risk, the Authority has the right to determine if the proceeds of insurance will be used as a prepayment under the Section 236 Mortgage or to assure that the Section 236 project is restored or rehabilitated through application of such insurance proceeds. In the event the Authority determines that such restoration or rehabilitation is not appropriate, HUD payments may be reduced to the extent applicable to such dwelling unit.

Foreclosure. Pursuant to the Section 236 Contracts, HUD will not terminate Section 236 Payments thereunder upon the institution by the Authority of a foreclosure proceeding (or other proceeding in lieu of foreclosure) if a foreclosure proceeding is instituted by the Authority subject to the continuing lien of the mortgage and the project is acquired by a purchaser eligible to be an owner under Section 236.

Acquisition by Ineligible Owner. HUD may terminate Section 236 Payments with respect to any project if the project is acquired by any owner who is not an eligible mortgagor under Section 236. Each owner has covenanted in the HUD Contract not to sell, convey, or transfer such project except to a mortgagor which is eligible under Section 236 and approved by the Authority.

Certain Mortgagor Covenants. Each mortgagor covenanted in its Section 236 Contract to limit admission to the subsidized dwelling units of a project to those families whose incomes do not exceed the lower of the Authority's limits or the applicable limits prescribed by the Secretary. The Secretary has the authority to suspend or terminate Section 236 Payments at any time upon default by the Mortgagor under any of the covenants contained in the Section 236 Contracts or upon any other default by the mortgagors or the Authority in the terms and conditions of the Section 236 Contracts.

Forbearance and Deferment of Mortgage Repayments. Under the Section 236 Contracts, the Authority has covenanted not to agree to the forbearance or deferment of any payment due under a mortgage without the prior written approval of HUD.

Prepayment of Section 236 Mortgages

Generally, as a matter of federal law, Section 236 Mortgage Loans permit prepayment after 20 years from the date of occupancy. Beginning in 1987, federal legislation imposed significant restrictions on such prepayments; however, current law permits prepayment, subject to compliance with certain tenant notice and protection requirements and, where applicable, approval of the mortgagee. Notwithstanding the changes in federal policy toward prepayment, prepayment of the Section 236 Mortgage Loans is subject to certain restrictions imposed by the Authority. See "Mortgage Loans – Mortgage Prepayments."

Set-Off Rights of the United States

Under federal law, the United States Government may have the right to set off liabilities of the Authority to the United States against the amounts payable under Section 236 Contracts.

Calculation of Excess Rental Charges

Each owner is required to remit monthly to HUD all "excess rental charges" collected by the owner. Prior to April, 1996, "excess rental charges" subject to this requirement were collected on an aggregate basis; that is, excess rental charges were determined as the amount of rent collected in excess of the sum of the basic rents for all occupied units. This method allowed an owner to deduct collection losses in calculating the amount of excess rental charges to be submitted.

Section 236 has been amended to require that, beginning in 1996, "excess rental charges" are to be calculated on a "unit-by-unit" basis (i.e., the sum of all "excess rental charges" collected, without reduction for collection losses on other units). However, under legislation first enacted in 1999, developments that are assisted under Section 236 are permitted to retain some or all of such excess income if authorized to do so by HUD. Otherwise, such payments must be remitted to HUD. The Authority's cash flow analysis assumes that the "unit-by-unit" rule will be applied.

Decoupling Program

Congress passed legislation in 1999 (the "1999 Act") that permits owners of Section 236 developments to refinance their mortgages (if such mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy. HUD program guidelines implementing this legislation describe this as "decoupling" the subsidy from the original mortgage loan. Among other things, in order to benefit from the decoupling program, the development owner must agree to enforce the income restrictions applicable to tenants in the development for a period ending five years beyond the term of the IRP assistance. Under the program, HUD enters into a new IRP Contract with the development owner and the mortgagee pursuant to which the subsidy is continued and the new financing is approved. HUD exercises considerable discretion in implementing the program. IRP Contracts executed pursuant to the decoupling program may have terms different from those described herein for the program generally.

Section 8 Subsidy Program

Some of the Financed Developments (the "Section 8 Developments") are the subject of housing assistance payments on behalf of eligible tenants under the Section 8 Housing Assistance Program for new construction and substantial or moderate rehabilitation (the "Section 8 Program"). The following is a summary of such programs; it does not purport to be comprehensive or definitive, and it is qualified in its entirety by the statutes, regulations and agreements referred to in this summary.

Section 8 of the United States Housing Act of 1937, as amended (the "1937 Housing Act"), provides for the payment by the United States Department of Housing and Urban Development ("HUD") of a federal rental subsidy for the benefit of low income families (defined generally as families whose income does not exceed 80 percent of the median income for the area as determined by HUD) and very-low income families (defined generally as families whose income does not exceed 50 percent of the median income for the area as determined by HUD). Subsidy payments are made to or for the account of the owner of dwelling units occupied by low income and very-low income families. Provision is made under the 1937 Housing Act and HUD regulations thereunder for administration of the Section 8 Programs through state housing finance agencies, including the Authority. Under this arrangement, the state housing finance agency agrees to pay the subsidy to or for the account of the owner and concurrently contracts with HUD for payment of the subsidy by HUD to the state housing finance agency. With respect to the new construction or substantial rehabilitation program, the regulations permit the state agency to exercise a high degree of program responsibility for developments without federal mortgage insurance, such as selection of the developer, approval of design and construction quality, site selection, and determination of economic feasibility and marketability, subject to audit and review by HUD to assure compliance with federal requirements and objectives.

Eligible Tenants. An eligible tenant for a Section 8-assigned unit is a family or an individual whose income, determined in accordance with HUD schedules and criteria, does not exceed the income limits prescribed by HUD for the area in which the development is located. Under existing HUD regulations, the income limit is generally fifty percent (50%) of the area's median income, with further adjustment for the size of the tenant's family and regional economic conditions; although tenants in up to twenty five percent (25%) of units (fifteen (15%) for developments with HAP contracts dated after October 1, 1981) may have incomes up to eighty percent (80%) of the area's medium income, as adjusted by HUD. Recent legislation also requires that not less than 40% of the dwelling units that become available for occupancy in any fiscal year shall be available for leasing only by families whose annual income does not exceed 30% of area median income (as determined by HUD and adjusted for family size) at the time of admission.

Subsidy Contracts. Under the Section 8 Programs, three principal contracts are executed. The Authority enters into An Agreement to Enter Into Housing Assistance Payments Contract ("AHAP") with the developer or owner of the development to be constructed or rehabilitated. The AHAP is approved by HUD, except that HUD approval is not required under the Section 8 Program for moderate rehabilitation. Subject to certain conditions, the AHAP commits the owner and HUD to enter into a HAP Contract upon completion and acceptance of the development, providing for payment by the state housing finance agency of housing assistance payments to or for the account of the owner. At the same time that the AHAP is executed, or prior to the execution of the AHAP for the moderate rehabilitation program, the state housing finance agency and HUD execute an ACC which provides for the payment to the Authority by HUD of the subsidy which the Authority is to pay to or for the account of the owner under the proposed HAP Contract. ACCs under the moderate rehabilitation program do not relate to a specific development. The HAP Contract must be submitted to HUD for approval and its effective date may not precede submission to HUD of certification as to completion of the development, except that HUD approval of the HAP Contract is not required under the moderate rehabilitation program. The HAP Contract may be executed with respect to separate stages of a development completed at different times.

Certain Terms of the Subsidy Contracts. A development financed by bonds or notes of the Authority during its construction is not eligible to receive Section 8 subsidy payments with respect to eligible dwelling units until a certification of completion has been furnished. The HAP Contracts provide for the payment of the Section 8 subsidy for a period of not more than 40 years or, in the case of most developments that are the subject of more recently executed HAP Contracts, 30 years and as short a period as 20 years from the date of the initial HAP Contract with respect to the applicable portion of the development. In the case of the Section 8 Program for moderate rehabilitation, the HAP Contracts provide for the payment of the Section 8 subsidy for a period of not more than 15 years from the date of the initial HAP Contracts.

Initial Amount of Subsidy. In connection with any Section 8 Developments, Section 8 subsidies are based upon the Contract Rents applicable to subsidized dwelling units.

The amount of the subsidy payable to the account of the owner under a HAP Contract is the applicable Contract Rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30 percent of family income. Thus, the total rental income from Section 8 housing units payable to or for the account of the owner is equal to the Contract Rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD to the owner in the form of housing assistance payments. The proportion of the Contract Rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

Limitations on Subsidy-Vacancies. Generally, the Section 8 subsidy is payable with respect to the assisted dwelling unit only when it is occupied by a low income or very-low income family. However, the law and the regulations provide for the payment of the subsidy under certain limited circumstances when the dwelling is not occupied.

A subsidy amounting to 80% of the Contract Rent is payable for a vacancy period of sixty days (a) during the rent-up period following completion of the development or a stage of the development, and (b) upon occurrence of a vacancy in an assisted dwelling unit after it is initially rented, subject in each case to compliance by the owner with certain conditions relating primarily to a diligent effort to rent the subsidized unit. Such payments may continue for an additional 12-month period in an amount equal to the debt service attributable to the unit contingent upon, among other things, the additional conditions that the unit is in decent, safe and sanitary condition during the vacancy period, that the owner has taken and continues to take all feasible action to fill the vacancy, that the development is not providing the owner thereof with revenues at least equal to the costs incurred by such owner, that the amount of the payments requested is not in excess of that portion of the deficiency which is attributable to the vacant unit for the period of the vacancy and that there is a reasonable prospect that the development can achieve financial soundness within a reasonable time.

Adjustments of Contract Rents. The statute and applicable regulations contain various provisions for review and readjustment of the amount of the Contract Rents upward or downward, subject to the limitations that in no case shall the adjustment lower the Contract Rent below that effective on the date of the HAP Contract and that no adjustment shall result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units, as further described below.

Each HAP Contract provides for certain adjustments in Contract Rents. At least annually, HUD publishes an Annual Adjustment Factor ("Annual Adjustment Factor" or "AAF"), which is intended to reflect changes in the fair market rent established in the housing area for similar types and sizes of dwelling units; interim revisions may be made where market conditions warrant. Upon request from an owner to the Authority, the AAF is applied on the anniversary date of the HAP Contract to Contract Rents, *provided* that no adjustment may result in a material difference between the rents charged for subsidized and comparable non-subsidized dwelling units except to the extent that the differences existed with respect to the Contract Rents set forth at the time of the HAP Contract execution or cost certification where applicable. (The difference that existed between the Contract Rent for a unit at HAP Contract execution and the rent on comparable unassisted units is generally referred to by HUD as the "initial difference" in Contract Rents.) In addition, provision is made in the regulations for special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units that have resulted from substantial general increases in real property taxes, assessments, utility rates and utilities not covered by regulated rates, if the owner demonstrates that the automatic annual adjustments have not provided adequate compensation. Under current law (Section 8(c)(2)(C) of the U.S. Housing Act), "[t]he Secretary may not reduce the Contract Rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under the section . . . unless the project has been refinanced in a manner that reduces the periodic payments of the owner."

Notwithstanding the foregoing, if the Contract Rents for a development exceed the applicable HUD fair market rents ("FMR's") (plus any initial difference), then Contract Rents cannot be increased beyond comparable market rents (plus the initial difference) as determined by independent appraisals of at least three comparable local developments submitted by the Borrower. In addition, the AAFs for Section 8 units which experienced no turnover in tenants since their preceding HAP Contract anniversary date will be one percentage point less than the AAFs that would otherwise apply.

There can be no assurance that increases in Contract Rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Reduction of Number of Subsidized Dwelling Units. Failure to make available for occupancy by eligible families the total number of units for which assistance is committed under the HAP Contract may result in a reduction in the number of subsidized dwelling units in a development. To ensure that the number of subsidized units will not be reduced, the owner must (i) conduct marketing in accordance with Section 8 regulations; (ii) make a good faith effort to lease the units to eligible families; and (iii) accept any eligible family except for reasons acceptable to the Authority. The Authority may require owners of Section 8 Developments to maintain the full amount of subsidized units, but has not covenanted with the holders of Bonds to do so.

Funding of Increases in Subsidy. Funds for the payment of increased subsidies which may result from the adjustments described in the second paragraph under "Adjustment of Contract Rents" above are to be obtained in two ways. Provision is made in the 1937 Housing Act for the payment by HUD into a project account in respect of each subsidized development of the amount by which the Contract Rents in effect from time to time exceed the actual subsidy paid by HUD (this amount is, in effect, the equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent resulting from the adjustments described in such paragraph will initially be drawn from this account. The regulations provide that when the HUD-approved estimate of required annual subsidy payments exceeds the maximum annual ACC commitment then in effect and would cause the amount in such reserve account to be less than 40 percent of such maximum annual ACC commitment, HUD shall take such additional steps authorized by subdivision (c)(6) of Section 8 (quoted below) as may be necessary to obtain funds to assure that payment will be adequate to cover increases in Contract Rents and decreases in tenant rents. Subdivision (c)(6) of Section 8 provides:

> "The Secretary [of HUD] shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes."

Pledge of Subsidy. The regulations permit an owner to pledge the federal subsidy payments as security for the mortgage loan for the development. Prior to any disbursement of a mortgage loan for a development which is to be subsidized under Section 8, the Authority requires the owner of the development to enter into an agreement to pledge such federal subsidy payments as security for the mortgage loan on the development.

Foreclosure. The regulations provided that in the event of foreclosure, or assignment or sale of the Section 8 Development in lieu of foreclosure, or in the event of an assignment or sale approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the HAP Contract.

Under each ACC, annual contributions are paid monthly into a special account maintained by the Authority for the receipt of Section 8 payments. To the extent such subsidy payments are sufficient, the Authority retains an amount up to the current payment due from the owner on the mortgage loan and any amounts necessary to fund the reserves required to be maintained by the owner with respect to the development, and disburses any remainder to the owner.

Compliance with Subsidy Contracts. The AHAP, the ACC and the HAP Contract contain numerous agreements on the part of HUD and the owner, including the obligation to maintain the development as decent, safe and sanitary housing and compliance with a number of additional requirements (such as nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the owner, or both, might endanger the payment of the federal subsidy. Reference is made to the complete texts of these agreements, the forms of which are available for inspection at the offices of the Authority.

Prior to any disbursement of a mortgage loan for a development which is to be subsidized under Section 8, the Authority enters into a regulatory arrangement with the owner requiring the owner to take or refrain from taking action as necessary to maintain eligibility for Section 8 subsidies for assisted dwelling units in the development during the term of the mortgage loan.

The regulations which apply to moderate rehabilitation under Section 8 differ, in certain respects, from those for new construction and substantial rehabilitation. Among such differences, the moderate rehabilitation regulations provide that: (1) Fair Market Rent is determined by a different HUD schedule; (2) the initial Contract Rent may exceed Fair Market Rent by a maximum of 20 percent, but only when justified by increased costs during rehabilitation; (3) the HAP Contract must be for a term of not more than 15 years; (4) the ACC is entered into between HUD and the Authority for the overall dollar amount and number of units and does not relate to specific developments; (5) contracts between the owners and the Authority are not subject to HUD approval; (6) only the owner may pledge subsidy payments as security; and (7) with respect to vacancy, the owner may receive a housing assistance payment in the amount of 80 percent of the Contract Rent for a vacancy period not exceeding one month following the month in which the unit is first vacated.

Expiring HAP Contracts and Recent Legislation

In recent years there have been numerous proposals and pronouncements from Members of Congress, the Clinton Administration and HUD Officials which address the future of HUD and the various programs operating pursuant to Section 8 of the 1937 Housing Act. The primary focus on these proposals and pronouncements have been developments that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have Section 8 HAP Contracts with substantially shorter terms. Efforts to address this subject are often referred to, generally and without specific import, as “Portfolio Reengineering” or “Mark-to-Market.”

After a series of interim legislative acts and demonstration programs, HUD’s Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, was signed into law by the President on October 27, 1997. This legislation includes within it the “Multifamily Assisted Housing Reform and Affordability Act of 1997 (the “1997 Act”) which was further amended by the 1999 Act. The 1997 Act implements a new “Mark-to-Market” program, beginning in fiscal year 1999, pursuant to which many FHA-insured Section 8 developments with expiring HAP Contracts and above-market rents will be eligible for restructuring plans, and, upon restructuring, may receive continuing Section 8 assistance. These restructuring plans may include refinancing and/or partial prepayment of mortgage debt, intended to permit the reduction of Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance.

The 1997 Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, the 1999 Act provided for a new program for preservation of Section 8 developments (including Section 236 developments that have project based HAP Contracts) that allows increases in Section 8 rent levels for certain developments that have below market rents, to market or near market rate levels (the "Mark-up-to Market Program").

The restructuring (or expiration and renewal of HAP Contracts) is designed also to result in a change from "project-based" to "tenant-based" Section 8 payments in many cases. In the former circumstance, the Section 8 HAP Contract is associated with a particular development and the units therein, and when a tenant moves from the development, the successor tenant, assuming that he or she is within the applicable income limits, will receive the benefit of the Section 8 payments. With "tenant-based" assistance, the Section 8 subsidy is associated with a particular tenant, and when that tenant moves from the development, the successor tenant will not receive the benefit of Section 8 payments.

The 1997 Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 developments for which the primary financing or mortgage insurance was provided by a state or local government, or a unit or instrumentality of such government. Upon the request of the owner of such a development, HUD is currently required to renew an expiring HAP Contract (absent certain actions or omissions of an owner or affiliate and subject to certain verifications). Under current HUD policy, renewals are expected to be made for an initial term of from one to five years, with initial rents at the lesser of: (1) existing rents adjusted by an Operating Costs Adjustment Factor ("OCAF") established by HUD, (2) a budget-based rent determined by HUD, or (3) in the case of certain "moderate rehabilitation" Section 8 HAP Contracts, the lesser of (x) existing rents, adjusted by an operating cost factor determined by HUD, (y) existing fair market rents (less any amounts retained for tenant purchased utilities), or (z) comparable market rents for the market area. Under current law, future rent adjustments will be determined using an OCAF or a budget-based adjustment. While it is anticipated that any such adjustment will be structured so as to take due account of debt service requirements, there can be no assurance that rent adjustments will provide for contract rents adequate to pay principal and interest on Bonds. More generally, there can be not assurance that future policies or funding levels will continue to make renewals and rent adjustments available on the same terms as are currently anticipated.

Under the amendments effected by the 1999 Act, Section 8 developments with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government, such as the Authority, are subject to the Mark-to-Market program unless implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing such financing. To the extent any such state and local government financed Section 8 developments with FHA-insured mortgages are determined not to qualify for the Mark-to-Market program, such developments would be treated in the same manner as other Section 8 developments, as discussed above, that do not have FHA-insured mortgages. To the extent any such Section 8 developments are determined to be eligible for the Mark-to-Market program, all or a portion of the debt for such developments may be prepaid as part of a restructuring agreement.

Contract rents under the 1997 Act may be significantly lower than the current Section 8 contract rents in Section 8 developments, and the corresponding reduction in Section 8 Housing Assistance Payments for such developments could materially adversely affect the ability of the owners of such developments to pay debt service on the mortgage loans. Any termination or expiration of HAP Contracts, without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a mortgagor, poor condition of the project or other causes) could also have a material adverse impact on the ability of the related Section 8 developments to generate revenues sufficient to pay debt service on the mortgage loans. In such an instance, a default under the FHA-insured mortgage would result in a claim for payment of mortgage insurance benefits. See "Appendix C – Description of FHA Mortgage Insurance Program."

While the 1997 Act generally allows owners to renew project-based HAP Contracts (absent certain material adverse conduct or conditions), owners are not required to renew HAP Contracts beyond their initial expiration – or the expiration of a renewal term. Upon an election not to renew a HAP Contract owners are required to provide certain notices and transitional tenant protections.

Substantially all of the Section 8 Developments do not have FHA-insured mortgages and have HAP Contracts which are generally coterminous with their mortgages. Accordingly, those Section 8 Developments will not be subject to having their mortgages restructured under the 1997 Act. Three of the Section 8 Developments have FHA-insured mortgages and HAP Contracts which expire before the maturity of the related mortgages. These developments may be subject to restructuring. In such event, the FHA-insured mortgages may be subject to prepayment in whole or in part and to refinancing, each of which events could lead to a partial redemption of the Offered Bonds. It is the policy of the Authority to encourage and facilitate the retention of these Section 8 Developments as affordable housing, and the Authority undertakes no obligation to the holders of the Offered Bonds to take or refrain from taking any action with respect to the Section 8 Developments, such as refinancing, in order to reduce the likelihood or amount of any such partial redemption.

HUD's Office of General Counsel (OGC) has expressed the opinion that certain language used in the form of HAP Contract in use prior to February 1980, for State Agency projects with mortgages that were not insured by FHA, has the effect of terminating those HAP Contracts upon refinancing of the related project mortgages. While only expressed in the form of an internal memorandum, this opinion has been communicated by HUD to the public. The position expressed in the opinion has not been promulgated in any official form, nor has HUD taken any action to impose consequences that might arise from the opinion on projects that were previously refinanced. The Authority has determined that approximately 57 of the Section 8 Developments which it has financed have been refinanced in a fashion that might cause a termination of the related HAP Contracts under such OGC opinion.

Were HUD to stop Housing Assistance Payments to the affected development and/or attempt to recover previously made payments, such action could adversely affect development income and the Authority's revenues from those developments. However, in Congressional testimony and in public discussions with industry participants, HUD officials have expressed the desire to prevent such position from having an adverse impact upon the affected developments.

Information regarding the HAP Contracts for certain of the Section 8 Developments may be found under "FINANCED DEVELOPMENTS – Description of Financed Developments."

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

DESCRIPTION OF FHA MORTGAGE INSURANCE PROGRAM

The following is a brief description of the multi-family mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 221(d)(4) of Title II of the National Housing Act of 1934, as amended (the "National Housing Act"). The description does not purport to be comprehensive or definitive, and is qualified in its entirety by reference to the National Housing Act and the regulations thereunder. FHA insurance benefits under the program are available only if the mortgagee of record is an FHA-approved mortgagee. The Authority is an FHA-approved mortgagee. The Authority has covenanted in the series resolutions pursuant to which FHA-insured developments were financed to take all action reasonably necessary to maintain FHA mortgage insurance (and to refrain from taking any action inconsistent with maintaining FHA mortgage insurance) including, if necessary, paying the insurance premiums and providing all notices of default to FHA. The Authority has also covenanted in the series resolutions pursuant to which FHA-insured developments were financed that, upon becoming eligible to receive FHA mortgage insurance benefits, the Authority will promptly elect to assign and will assign the Mortgage to FHA, or in the event the Authority receives title to such a Development, to convey title as soon as practical in settlement of its claim for mortgage insurance, and will request a cash settlement for its claim. The Authority has also covenanted in the series resolutions pursuant to which FHA-insured developments were financed that, in enforcing its rights with respect to FHA-insured Mortgage Loans, it will ask to receive or preserve for later claims the maximum amount of FHA mortgage insurance proceeds and will carry out its duties under the Resolution, to the extent possible, consistent with HUD regulations. Similarly, the series resolutions pursuant to which FHA-insured developments were financed prohibit Resolution amendments which conflict with HUD regulations and direct that the Resolution be construed to the extent possible to avoid such conflict.

FHA Insurance Processing

Applications for insurance commitments under the FHA insurance program may undergo several processing stages. Initial FHA project evaluation typically results in the issuance of feasibility letters for rehabilitation and site and market analyses and/or conditional commitment letters for new construction. These letters set forth basic project characteristics including unit composition, estimated revenue and expenses, total replacement cost, mortgage amount, and estimated equity and working capital required for closing. These letters serve as requests for firm commitment applications based on initial project underwriting. They do not preclude adjustments deemed necessary by FHA or the sponsor prior to issuance of a firm commitment. The mortgagee must receive a firm commitment from FHA for insurance of advances prior to receiving FHA insurance at the time of initial endorsement. Issuance of the firm commitment evidences FHA's approval of the application for mortgage insurance for the proposed development and establishes the terms and conditions upon which the mortgage loan will be insured. FHA's multi-family mortgage insurance program provides for either insured advances or insurance upon completion of the project.

HUD Regulations require that the mortgagee pay an annual mortgage insurance premium to FHA in an amount equal to 1/2 of 1 percent of the outstanding principal balance of the mortgage loan. Mortgage insurance premiums are collected by the mortgagee on a monthly basis and remitted to FHA annually. FHA imposes a late charge on the mortgagee in the event it fails to pay the mortgage insurance premium in a timely manner, which charge may not be imposed on the owner. Failure to pay the premium may result in a loss of insurance.

After receipt of the firm commitment, the owner proceeds to initial closing of the mortgage loan. At the initial closing the owner executes a standard form of FHA mortgage note evidencing the mortgage loan and an FHA standard form of mortgage securing the mortgage note. Concurrently with the execution of the mortgage and mortgage note, FHA initially endorses the mortgage note for mortgage insurance and funds are advanced to provide for initial fees and expenses, including land acquisition costs, title costs, design architect, attorney, inspection and other related fees and expenses. The firm commitment requires that initial endorsement take place within a stated time period which may be extended with approval from FHA.

Construction and Rent-Up

Construction of the development is required to proceed in accordance with the FHA standard form of Building Loan Agreement. See "The Mortgage Loan Documents – *Building Loan Agreement*" in this Appendix. During construction, a licensed inspecting architect hired by the owner and an FHA inspector make periodic inspections to ensure on-site conformity with FHA-approved plans and specifications. Under the Building Loan Agreement, funds are disbursed on a percentage of completion basis with periodic requisitions for advance of funds. Prior to any disbursement, certain conditions must be satisfied, including the completion of certain inspections of the construction, the submission and approval of certain documentation of construction work progress and compliance with the approved plans and specifications and the provision of updated title evidence satisfactory to the mortgagee and FHA and others. Each advance will be insured by FHA upon disbursement in accordance with FHA regulations. Disbursements of advances continue for only so long as the owner is not in default under the mortgage and otherwise complies with the requirements for disbursements.

Construction Changes. Changes in the plans and specifications originally approved by FHA at initial endorsement must be approved in writing by the owner, the owner's architect, FHA and the mortgagee (as well as the bonding company providing the contractor's payment and performance bond where such bonds are required and the scope of the change warrants prior approval). In the event of a change order which will result in net increases in construction costs, the mortgagee is required to collect the amount of such expected increase from the owner prior to disbursement of the next advance unless FHA waives the requirement. Such funds may be disbursed to the owner and contractor as the additional work contemplated by the change order progresses and is approved by FHA.

Cost-Certification. Prior to final closing and final endorsement, the owner and the contractor must submit cost-certifications prepared by independent public accountants for FHA approval. After reviewing such certified cost, FHA determines the amount of the "maximum insurable mortgage." In the event that the maximum insurable mortgage amount is less than the amount of the mortgage note at initial endorsement, the mortgage note will be reduced. In the event that the maximum insurable mortgage is in excess of the amount of the note at initial endorsement, the mortgage note may under certain circumstances be increased with the consent of the mortgagee and FHA.

Development Rent-Up. As the construction of a development nears completion, the owner begins to market those units which are available for occupancy. In certain developments, it may be possible to rent some of the units which have been completed prior to the completion of the entire development.

FHA regulations require a certificate of occupancy from appropriate local governing bodies and a multi-peril liability insurance policy from the owner prior to the occupancy of any unit in a development.

Final Endorsement for Insurance. Final endorsement of the mortgage note occurs only after cost-certification is completed. Increases in the maximum insurable amount of the mortgage loan approved by FHA and the mortgagee are funded at this time. Amounts remaining to be advanced under the mortgage will be disbursed, contingent upon FHA approval, upon the receipt of acceptable title insurance endorsements and the fulfillment of certain other obligations of the owner. FHA and the mortgagee review the final closing documents and the mortgage note is finally endorsed upon a determination by the mortgagee and FHA that all requirements for final endorsement have been satisfied.

The Mortgage Loan Documents

The FHA-insured Mortgage Loans financed with the proceeds of Outstanding Bonds were made pursuant to certain standard form FHA documents which are hereinafter generally described.

Building Loan Agreement. The standard form FHA Building Loan Agreement which is entered into between a development owner and a mortgagee requires, among other things, that a development be completed in accordance with plans and specifications approved by FHA and the mortgagee, that any changes in the drawings and specifications, and any changes by way of altering or adding to the work contemplated or orders for extra work must be approved by the architect and any changes which will result in a net construction cost increase, or will change the design concept, or will result in a net cumulative construction cost decrease, may be effected only with the prior written approval of the mortgagee and FHA, that under such conditions as either the mortgagee or FHA may establish, advances for construction are to be made only for work completed and accepted by FHA, together with the value of materials and equipment not incorporated in the work but delivered to and suitably stored at the project site, subject to a 10 percent hold back until a final inspection report indicates "substantial" completion of the development, and that all advances are subject to prior approval of the mortgagee and FHA.

Assurance of Completion. Pursuant to FHA regulations, the Authority as mortgagee will require the mortgagor and general contractor for each development to execute a standard form FHA construction contract. Under the contract, the general contractor agrees to complete construction of the development in accordance with plans and specifications approved by FHA.

In order to assure completion of construction, the general contractor is required to provide either a payment and performance bond in an amount approved by FHA and the Authority or to enter into a completion assurance agreement with the Authority secured by a deposit of cash or an unconditional, irrevocable letter of credit in favor of the Authority.

Regulatory Agreement. The owner of a development, or, if the owner is a land trust, the owner and the beneficiary of the land trust, enters into a Regulatory Agreement with FHA which sets forth certain of the owner's obligations in connection with the management and operation of a development.

Pursuant to the Regulatory Agreement, the owner must establish a reserve fund for replacements. The reserve fund for replacements will be funded by monthly payments by the owner in the amount established by FHA. Moneys in such fund may be disbursed, with prior FHA approval, to effect replacement of structural elements or mechanical equipment of the development or for any other purpose.

Except in the case of Projects that have rents regulated pursuant to a project based Section 8 contract, the owner may make dwelling units and services of the development available at charges as from time to time may be mutually agreed upon between the owner and the tenants. Dwelling units may not be rented for a period of less than 30 days.

The owner may not make, receive or retain any distribution of assets or income from the development, except from "Surplus Cash." "Surplus Cash" is defined in the HUD regulations as cash remaining at the end of any semiannual or annual fiscal period after the payment of: (1) all sums due under the mortgage and the mortgage note; (2) all amounts required to be deposited in the reserve fund for replacements; and (3) all obligations of the development other than the mortgage (unless otherwise provided for). Surplus Cash does not include amounts held in special funds required to be maintained for the development or tenant security deposits.

In the event the owner violates any provisions of the Regulatory Agreement and fails to cure the default within 30 days after the mailing of notice from FHA, or such longer period as FHA may determine, the Agreement provides that FHA may declare a default. In the event of a default under the Regulatory Agreement, the Agreement provides that FHA may notify the mortgagee of the default and request the mortgagee to declare a default under the mortgage and mortgage note. The mortgagee is not a party to the Regulatory Agreement and, therefore, may not directly declare the owner in default thereunder.

Mortgage Note. The standard form FHA mortgage note is a nonrecourse obligation, since the maker is not personally liable for the payment of the principal of and interest thereon. Each mortgage note will be in a face amount approved by FHA and will be endorsed for insurance by FHA at the initial closing of the mortgage loan.

Each mortgage note for a development insured under Section 221 (d)(4) of the National Housing Act will provide that prepayment of the principal amount of the Mortgage Loan may be made only with the approval of the Authority and FHA upon giving the Authority at least 30 days written notice. Each mortgage note for a Development financed by the Authority under Section 221 (d)(4) with proceeds of the Bonds will provide that, except for a refunding required by HUD, no prepayment may be made by the mortgagor prior to the date on which the series of Bonds financing the Mortgage Loan are subject to redemption at the option of the Authority, and, in the event that any prepayment of principal is made, the mortgagor must pay to the Authority a premium on the date of such prepayment in an amount equal to (1) the premium to be paid on the Bonds to be redeemed, and (2) such other fees and charges which are reasonable, as determined by FHA, and which are related to the Authority's cost of redeeming the series of Bonds sold to finance the Mortgage Loan. The remaining principal amount, if any, will be reamortized over the remaining portion of the original mortgage term in monthly payments in an amount approved by the Authority, FHA and the Trustee.

Mortgage. In order to secure the payment of the debt evidenced by the mortgage note, the owner of each development will grant, for the benefit of the payee under the mortgage note, a security interest on the project site, together with all buildings, improvements and fixtures to be constructed on the site and all articles of personal property of the owner located on the site (collectively, the "mortgaged property") and, in addition, will assign to the mortgagee all rents, profits and income to be derived from the mortgaged property. Until final payment of the indebtedness, each owner agrees not to encumber the mortgaged property in any way without the consent of the mortgagee and FHA.

In addition to the monthly payments due under the mortgage note, the mortgage obligates the owner to deposit with the mortgagee in escrow on the first day of each month sums sufficient to provide the mortgagee with funds to pay the next annual mortgage insurance premium and to pay the estimated fire and property insurance premiums, taxes and assessments, if any, with respect to the mortgaged property. The standard FHA documents described above have been modified with the consent of FHA to add certain requirements of the Authority. In addition, the Authority expects to enter into its own regulatory agreements with the mortgagor regulating the rents, distributions, use, occupancy, management and operations of the Developments.

Collection of Insurance Benefits

The mortgagee is required to notify FHA within 60 days after the date of an event of default by the owner under the mortgage note or mortgage which continues for 30 days. Unless extended by FHA, applicable FHA regulations further require that the mortgagee must, within 75 days of the date of the event of default under the mortgage, make an election either to (1) assign the mortgage to FHA, or (2) acquire and convey the property to FHA. If there occurs an event of default during the term a prepayment premium is payable under the mortgage note or during the period when no prepayments are permitted under the mortgage note the mortgagee is required to request from HUD a three-month extension of the deadline for filing a notice of its intention to file an insurance claim and its election to assign the mortgage. If HUD grants an extension the mortgagee is required to assist the mortgagor in arranging a refinancing to cure the default and avert an insurance claim. HUD makes its determination whether to grant the three-month extension of the election notice filing deadline based on its analysis of the project's financial condition and its assessment of the feasibility of arranging a successful refinancing.

Upon the assignment of a defaulted mortgage to FHA, FHA will reimburse the mortgagee an amount equal to the unpaid principal balance of the mortgage loan at the date of default (less one percent), plus interest at the debenture interest rate from the date of default through the date of payment of such benefits, less one percent of the outstanding principal balance of the mortgage as of the date of default from the amount of insurance benefits paid to the mortgagee. FHA also deducts: (1) certain interest losses; (2) any cash, letter of credit or securities held by the mortgagee or its agents or to which it is entitled including deposits made for the account of the mortgagee and which have not been applied in reduction of the principal amount of the mortgage loan indebtedness; (3) any amounts received by the mortgagee after the date of default with respect to such development; and (4) certain other deductions which may be made from insurance benefits paid by FHA.

Under the FHA insurance contract with the mortgagee, FHA agrees to pay interest to the mortgagee from the date of default at the "debenture" rate of interest which is in effect on the date FHA issues its firm commitment or the date of initial endorsement, whichever rate is higher until the date insurance benefits are paid. Payment of insurance benefits will be made in cash unless the mortgagee requests that insurance benefits be paid in debentures. The Authority has covenanted in the series resolutions pursuant to which FHA-insured developments were financed to request payment in cash.

In the case of a monetary default, the date of default is deemed to be the date on which payment originally should have been received. Since interest is paid one month in arrears in FHA mortgage transactions, the mortgagee will not, in the event of a claim for insurance benefits, be reimbursed for interest which had accrued in the previous month and was due and payable on the date of default. FHA will reimburse the mortgagee only for interest at the debenture interest rate commencing on the date of default.

Upon a default by the mortgagor which entitles the mortgagee to assign the mortgage to FHA, the mortgagee must notify FHA of the default and of the mortgagee's intention to assign the mortgage to FHA. Upon receipt of this notification and election, FHA reviews the documentation to determine whether the mortgagee is entitled to assign the mortgage and to receive insurance benefits under the mortgage insurance contract. Prior to actual assignment of the loan to FHA and receipt of insurance benefits, the mortgagee must also satisfy certain legal requirements including submission of a title policy showing that no liens or encumbrances (except for encumbrances approved by FHA) are superior to the mortgage lien.

The mortgagee is required to submit all required documentation within 45 days from the date the mortgage is assigned to FHA, unless the time is extended by FHA. The documentation required to be supplied to FHA includes credit instruments and other assurances, warrants or bonds requested by FHA. If the election is not made or the documents are not delivered within the 45 days allowed, FHA will not pay the mortgagee interest on sums outstanding from the date the election should have been made or the date the required documents should have been submitted to FHA, whichever is applicable, to the date when the insurance claim is finally paid unless FHA has agreed to extend the period with interest.

The ability of the mortgagee to realize benefits of insurance in the event of a non-monetary default resulting from the failure of a mortgagor to comply with the occupancy, rental and use requirements under applicable Federal tax laws and regulations thereunder has not been conclusively determined, and the mortgagee may have to exercise other remedies, the effectiveness of which may depend on the discretion of a court, to enforce such requirements so as to prevent the interest on obligations issued to finance such developments from becoming subject to Federal income taxes.

Partial Settlement Upon Assignment. FHA may pay a portion of an insurance claim prior to the delivery of required documents, including the mortgage note and the mortgage. If the claim is made in connection with a mortgage loan which has not yet been finally endorsed, FHA may pay 70 percent of the outstanding principal balance of the loan within 30 days of the filing of an assignment of the mortgage loan to FHA, provided that the pertinent data is submitted to FHA in a timely manner. In the case of a mortgage loan which has been finally endorsed, FHA may, but is not obligated to, pay 90 percent of the outstanding principal balance within 30 days of the filing of an assignment of the mortgage loan to FHA provided the pertinent data is submitted to FHA in a timely manner. Any remaining balances are paid to the mortgagee after FHA has received and audited final financial data. Legal clearance is also required before final payment is made and all necessary documents, including but not limited to, the mortgage note, mortgage, applicable assignments and the title policy, are required to be delivered to FHA in acceptable form.

Deposits Held by Mortgagee. The mortgagee is responsible for all deposits under its control, and FHA deducts from any insurance claim the amount of cash held by the mortgagee on behalf of the owner. Where deposits are held by the mortgagee in the form of a letter of credit, it is the mortgagee's responsibility to convert the letter of credit to cash in the event the funds are necessary. For insurance purposes, FHA views a letter of credit held in lieu of a cash deposit as the equivalent of cash. FHA does not review or approve letters of credit. The Authority requires letters of credit to be unconditional and irrevocable.

The mortgagee is responsible for all funds in its custody and must therefore obtain approvals from FHA and others, when required, prior to release of any funds which may be in its possession. Failure properly to protect such funds may result in a deduction from the FHA insurance claim in an amount equal to the funds FHA asserts should properly have been held as a deposit.

Warranties Upon Assignments. In the event of an assignment of a mortgage, FHA requires the mortgagee to warrant that (1) no act or omission of the mortgagee has impaired the validity and priority of the mortgage; (2) the mortgage is prior to all mechanics' and materialmen's liens filed of record subsequent to the recording of the mortgage, regardless of whether such liens attached prior to the recording date; (3) the mortgage is prior to all liens and encumbrances which may have attached or defects which may have arisen subsequent to the recording of the mortgage except such liens or other matters as may be approved by FHA; (4) the amount stated in the instrument of assignment is actually due under the mortgage and there are no offsets or counterclaims against such amount; and (5) the mortgagee has a good right to assign the mortgage. In assigning its security interest in chattels, including materials, located on the premises covered by the mortgage or its security interest in building components stored either on-site or off-site at the time of the assignment, the mortgagee is required to warrant that (a) no act or omission of the mortgagee has impaired the validity or priority of the lien created by the chattel security instruments; (b) the mortgagee has a good right to assign the security instruments; and (c) the chattel security instruments are a first lien on the items covered by the instruments except for such other liens or encumbrances as may be approved by FHA.

Title Insurance Policy (Mechanics' and Other Liens). The mortgagee will be required to furnish FHA with a title policy which names FHA as the insured party and which assures FHA that the mortgage loan to be assigned constitutes a first lien on the mortgaged premises, subject only to such exceptions as are previously approved by FHA. The mortgagee will be required to remove any intervening liens and to obtain an updated endorsement within the 45-day period during which documents are required to be submitted. FHA will deduct the amount of any liens which have priority over the mortgage lien from the mortgagee's FHA insurance claim.

Tax liens against the property which have priority over the lien of the mortgage must be paid by the mortgagee. Although the mortgagee will be reimbursed for funds it advances to pay real estate taxes on the mortgaged property, failure to pay taxes when due may result in a penalty which will not be reimbursed by FHA in connection with the insurance claim.

Inspections and Hazard Insurance Policy. The mortgagee is required to inspect the mortgaged property at least annually and to advise FHA of its recommendations for actions necessary to protect or maintain the property and to maintain adequate hazard insurance coverage. Failure to maintain adequate coverage is grounds for termination of the FHA insurance contract, unless FHA has been notified in a timely manner of the unavailability of coverage. Losses occurring as a result of a failure properly to insure the mortgaged property will be deducted from the mortgage insurance claim.

Transfer of the Mortgage. In certain circumstances the mortgagee is permitted to transfer some or all of its interest in the mortgage. The transfer, pledge or assignment of a mortgage in a manner which is not in compliance with FHA requirements is grounds for termination of the FHA insurance. Prior to final endorsement, the mortgage note may be assigned only to another FHA-approved mortgagee with the approval of FHA. Subsequent to final endorsement, the mortgage loan may be assigned to another FHA-approved mortgagee after notice to FHA on a prescribed form.

Losses on Advances Other than Mortgage Proceeds. Although the mortgagee will be reimbursed for advances properly made for taxes, insurance premiums and preservation of the property, such reimbursement may not fully compensate the mortgagee for the making of such advances, since the mortgagee will be paid only the rate of debenture interest on such advances from the date of default.

Reimbursement for Maintaining the Mortgaged Property. FHA will reimburse the mortgagee for funds advanced to maintain or preserve the mortgaged property, if the approval of FHA is received prior to the time such funds are advanced.

Funding of Reserves. The funding of a replacement reserve for each development that is the subject of FHA mortgage insurance remains fixed at the initial year level, which is 0.6 percent of the construction cost of a newly constructed development and 0.4 percent of the mortgage loan amount for a rehabilitation development. Withdrawals from the replacement reserves of developments subject to FHA mortgage insurance are subject to FHA approval. An additional working capital reserve of two percent of the mortgage loan amount is required and is released at final endorsement. Draws against the additional working capital reserve can be made only with FHA consent. The reserve is an offset against FHA mortgage insurance benefits in the event of a claim.

HUD Override of Prepayment Prohibition and Penalties. Pursuant to Mortgagee Letter 87-9, dated February 20, 1987 ("Mortgagee Letter 87-9"), prepayment prohibitions and penalties may be included by the mortgage only if the following conditions are satisfied: (1) the mortgage note includes an override provision permitting prepayments of the mortgage loan to be made in whole or in part without penalty prior to the date on which the mortgage note is otherwise permitted to be prepaid with a penalty of 1 percent or less upon HUD's determination that a prepayment will avoid a mortgage insurance claim and therefore be in the best interest of the Federal government; and (2) the mortgagee certifies that, in the event a default occurs prior to the date on which the mortgage note is otherwise permitted to be prepaid with a penalty of 1 percent or less, it will (a) request a three-month extension of the deadline for the filing of an FHA mortgage insurance claim and election to assign the mortgage note to HUD; (b) during the period of extension as approved by HUD, assist the mortgagor in arranging a refinancing to cure the default and avert an insurance claim; (c) report to HUD at least monthly on arrangements relating to the refinancing of the project; (d) cooperate with HUD in taking reasonable steps in accordance with prudent business practices to avoid an insurance claim; and (e) require successors and assigns to the mortgagee's interest in the mortgage loan to be bound by these conditions. The Authority has agreed to be bound by these requirements in connection with mortgage loans originated after the release of Mortgagee Letter 87-9.

Mortgagee Letter 87-9 further states that HUD would consider exercising the override provision described above only if:

(1) the mortgagor has defaulted and HUD has received notice of such default;

(2) HUD determines that the project has been experiencing a net income deficiency, which has not been caused solely by management inadequacy or lack of owner interest, and which is of such a magnitude that the mortgagor is currently unable to make required debt service payments, pay all project operating expenses and fund all required HUD reserves;

(3) HUD finds there is a reasonable likelihood that the mortgagor can arrange to refinance the defaulted loan at a lower interest rate or otherwise reduce the debt service payments through partial prepayment; and

(4) HUD determines that refinancing the defaulted loan at a lower rate or partial prepayment is necessary to restore the project to a financially viable condition and to avoid an insurance claim.

APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

________, 2003

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

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Illinois Housing Development Authority (the "Authority") and in such capacity have examined a certified copy of the record of proceedings of the Authority relating to the issuance today of $20,860,000 aggregate principal amount of its Housing Bonds, 2003 Series A (Northpoint Apartments) (the "2003 Series A Bonds") and $6,275,000 aggregate principal amount of its Housing Bonds, 2003 Series C (Country Club Heights Apartments) (the "2003 Series C Bonds" and, together with the 2003 Series A Bonds, the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of (i) the Illinois Housing Development Act, 20 ILCS 3805/1 *et seq.* (the "Act"), (ii) the Trust Indenture dated as of March 1, 1999 and a Series Supplemental Indenture dated as of December 1, 2003 (together, the "Indenture") governing the issuance and security for the Bonds, each between the Authority and LaSalle Bank National Association (the "Trustee"), as supplemented and amended, and (iii) the resolution of the Authority adopted on October 17, 2003, as amended and supplemented by that certain Determination of the Chairman and Executive Director of the Authority dated as of December 19, 2003 (together with said resolution, the "Resolutions").

The Bonds are dated, mature on the dates in the principal amounts, bear interest, are payable, and are subject to redemption prior to maturity, all as provided in the Indenture.

The Bonds are being issued for the purpose of providing funds for (i) with respect to the 2003 Series A Bonds, a mortgage loan to Northpoint Preservation Limited Partnership, a Delaware limited partnership (the "Northpoint Borrower") pursuant to the terms of a Financing Agreement, dated as of December 1, 2003 (the "Northpoint Financing Agreement") for the financing of a multi-family housing development located in Chicago, Illinois, and (ii) with respect to the 2003 Series C Bonds, the refunding of bonds jointly issued on the date hereof by the City of Quincy, Illinois and the Authority to finance a mortgage loan to Quincy Affordable Housing, L.P., an Illinois limited partnership (the "Quincy Borrower" and, together with the Northpoint Borrower, the "Borrowers") pursuant to the terms of a Financing Agreement, dated as of December 1, 2003 (the "Quincy Financing Agreement" and, together with the Northpoint Financing Agreement, the "Financing Agreements") for the financing of a multi-family housing development located in Quincy, Illinois.

Applicable federal tax law establishes certain requirements that must be met subsequent to the delivery of the Bonds in order the interest on the Bonds not be included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). We have examined the Indenture, the Financing Agreements, and the Tax Regulatory

Certificate, which, in our opinion, establish procedures under which, if followed, such requirements can be met. The Authority has covenanted in the Indenture and Tax Regulatory Certificate to 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 Authority on the Bonds shall not be included in gross income for federal income tax purposes. In rendering this opinion, we have assumed compliance by the Authority and the Borrowers with and enforcement by the Authority and the Borrowers of the provisions of the Indenture, the related Financing Agreements and the Tax Regulatory Certificate. Failure to comply with such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

We have not examined nor are we passing upon matters relating to the real and personal property referred to in the Financing Agreements and related documents.

From such examination, we are of the opinion that:

1. The Authority is a legally existing body politic and corporate of the State of Illinois (the "State") with lawful authority, among other things, to adopt the Resolutions, to execute and deliver the Indenture and the Financing Agreements, to issue the Bonds, and to perform its obligations under the terms and conditions of the Indenture and the Financing Agreements.

2. The Resolutions have been duly and lawfully adopted by the Authority and are in full force and effect. Each of the Indenture and the Financing Agreements has been duly authorized, executed and delivered by the Authority and is valid and binding upon the Authority and enforceable in accordance with its terms.

3. The Bonds are valid and legally binding special obligations of the Authority.

4. The Indenture creates the valid pledge of the Trust Estate (as defined in the Indenture) for the benefit of the Bonds that it purports to create, subject to the provisions of the Indenture permitting the use and payment thereof for the purposes and on the terms and conditions set forth in the Indenture.

5. The Authority has no taxing power. The Bonds are not a debt of the State and the State is not liable on the Bonds. The Bonds are not subject to Section 26.1 of the Act.

6. Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to the Code, except that no opinion is expressed as to the exclusion of interest on any Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (A) a "substantial user" of the facilities financed with Bond proceeds, or (B) a "related person", and (ii) interest on the Bonds is treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. No opinion as to the exclusion from gross income of interest on any of the Bonds is expressed subsequent to any date on which action is taken pursuant to the Indenture for which action the Indenture requires a legal opinion to the effect that taking such action will not

adversely affect such exclusion, should the undersigned not deliver an opinion as of such date to such effect.

7. Under the Act, the interest on the Bonds is exempt from Illinois income tax.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Bonds, the Indenture and the Financing Agreements may be limited by bankruptcy, moratorium, insolvency, or other laws affecting creditors' rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The scope of this opinion is expressly limited to the matters set forth herein, and, except to the extent addressed herein, we express no opinion with respect to any other federal income tax matters relating to the Bonds, Illinois tax matters or the laws of any other state.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

SUMMARY OF CONTINUING DISCLOSURE COVENANT

1. The Authority shall make all required filings and reports so that all requirements of Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission, as amended from time to time, are met with respect to the Offered Bonds.

2. Each year the Authority shall provide annual financial information concerning the Offered Bonds to each nationally recognized municipal securities information repository and to any entity designated by the State of Illinois as a state information depository for purposes of Rule 15c2-12(b)(5). A copy of the annual financial information shall also be provided to the Trustee. The annual financial information shall be so provided within 180 days after the end of the Authority's fiscal year, beginning with the fiscal year ending June 30, 2004. Copies of the annual financial information shall also be made available to any beneficial or registered owner of Offered Bonds upon request. The annual financial information shall include the Authority's audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America as in effect from time to time. The annual financial information shall also include the financial and operating information of the type set forth in the final Official Statement for the Offered Bonds, including the following information:

(a) Information concerning the Financed Developments set forth under the captions "THE OFFERED BONDS – Redemption – *Special Redemption*" and "FINANCED DEVELOPMENTS – Description of Financed Developments."

(b) Information regarding the principal amount, interest rate, optional prepayment date and maturity for the Loans.

(c) Information regarding the principal amount, interest rate, maturity and redemption provisions for the Acquired Bonds, if any.

(d) Information concerning amounts on deposit in the Reserve Fund in respect of Bonds issued under the Indenture.

The annual financial information may include any or all information by incorporating, by specific reference, other documents which have been provided to each of those national information repositories and the state information depository, if any. If the incorporated information is in an Official Statement, it must be available from the Municipal Securities Rulemaking Board. The annual financial information shall include a notice of any change in the Authority's fiscal year.

3. Upon the occurrence of any of the following events with respect to the Offered Bonds, if material, the Authority shall report the event in a timely manner to the state information depository, if any, and either to each of the national information repositories described above or to the Municipal Securities Rulemaking Board:

i. principal and interest payment delinquencies;

ii. non-payment related defaults;

iii. unscheduled draws on debt service reserves reflecting financial difficulties;

iv. unscheduled draws on credit enhancements reflecting financial difficulties;

v. substitution of credit or liquidity providers or their failure to perform;

vi. adverse tax opinions or events affecting tax-exempt status;

vii. modifications to rights of Owners of the Offered Bonds;

viii. non-scheduled redemptions;

ix. defeasances;

x. release, substitution, or sale of property securing repayment of the Offered Bonds; and

xi. rating changes.

The Authority will give a copy of each such report to the Trustee. The Authority will give notice in a timely manner to the Trustee, to the state information depository, if any, and either to each of the national information repositories or to the Municipal Securities Rulemaking Board of any failure timely to provide the annual financial information as provided in this Section.

4. The undertaking of the Authority described in this summary is a contract between the Authority and the beneficial and registered owners from time to time of the Offered Bonds. It may be enforced by any beneficial or registered owner of Offered Bonds. The sole remedy with respect to the Authority's compliance with its undertaking described in this summary shall be to require compliance. The undertaking described in this summary shall be solely for the benefit of the beneficial or registered owners of the Offered Bonds from time to time, and shall create no right in anyone else. The Trustee shall have no powers or duties with respect to the undertaking described in this summary. No violation by the Authority of any provision described in this summary shall constitute any Event of Default or a default under the Indenture or under the Act.

5. The obligation of the Authority described in this summary shall end upon the Offered Bonds being paid or treated as paid as provided in the Indenture, except for the obligations to give notice under 3(vi) and 3(viii) above.

6. The Authority may by resolution amend the undertakings described in this summary at any time to the extent and in the manner allowed by Rule 15c2-12(b)(5), as amended from time to time, if the Authority's undertaking described in this summary, as amended, shall continue to comply with the Rule, the amendment to be effective upon receipt by the Authority of an opinion of bond counsel, selected by it with significant federal securities law expertise, to that effect. Any such amendment shall be described in the next annual financial information.

APPENDIX F

FORM OF BOND INSURANCE POLICY

[This page intentionally left blank]

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest: _______________________
Assistant Secretary

STD-R-6
4/95

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

FORM OF DEBT SERVICE RESERVE

FUND SURETY BOND POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEBT SERVICE RESERVE SURETY BOND

MBIA Insurance Corporation Armonk, New York 10504

Surety Bond No. XXXXXX

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), [IF PARITY " together with any bonds issued on a parity therewith,”], provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the [Debt Service Reserve Fund Requirement] (as defined in the Document) for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: ,unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. [OPTIONAL FIRST SENTENCE: This Surety Bond shall be governed by and interpreted under the laws of the State of (STATE)]. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within [1 or 3 years] after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

11. This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH,YEAR]

MBIA INSURANCE CORPORATION

____
President

____
Assistant Secretary

SB-DSRF-9[STATE CODE]
4/95

EXHIBIT A

Surety Bond No. XXXXXX

Bond Year	Maximum Annual Debt Service
199 to 199	$
199 to 199	$
199 to 199	$

Attachment 1

Surety Bond No. XXXXXX

DEMAND FOR PAYMENT

________, 19__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. XXXXXX (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on ________ (the "Due Date") in an amount equal to $_______ (the "Amount Due").

(b) The [Debt Service Reserve Fund Requirement] for the Obligations is $__________.

(c) The amounts legally available to the Paying Agent on the Due Date will be $_____ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: ____

[Paying Agent's Account]

[PAYING AGENT]

By ____________________________

Its ____________________________

Attachment 2
Surety Bond No. XXXXXX

NOTICE OF REINSTATEMENT

________, 19__

[Paying Agent]

[Address]

Reference is made to the Surety Bond No. XXXXXX (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is $.

MBIA Insurance Corporation

____
President

Attest: ______________________________
Assistant Secretary

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

PRINTED BY AUTHORITY OF THE STATE OF ILLINOIS

Date of Publication: December 19, 2003
Number of copies printed: 130
Printing Order No. 486284

Recycled Paper - Printed by
IMAGEMASTER 800.452.5152