

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2009C Bonds is excluded from gross income for federal income tax purposes, except during the period when the Series 2009C Bonds are held by a "substantial user" of the facilities financed by the Series 2009C Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is further of the opinion that interest on the Series 2009C Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. Under the Act, in its present form, the Bonds and all income from the Bonds is free from all taxation by the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes. See "TAX MATTERS" herein.*

**Supplement No. 2 to Official Statement  
dated December 16, 2010  
relating to**

**\$27,860,000**

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
Multifamily Initiative Bonds, Series 2009C**

**Dated: December 30, 2009  
(interest accrual commencing December 16, 2010)**

**Due: September 1, 2051**

The Illinois Housing Development Authority (the "**Authority**") previously issued \$184,080,000 aggregate principal amount of its Multifamily Initiative Bonds, Series 2009A (the "**Series 2009A Bonds**"), and expects to release a portion of the escrowed proceeds of the Series 2009A Bonds in the aggregate principal amount of \$27,860,000 (the "**Released Amount**") and to convert and redesignate a corresponding portion of the Series 2009A Bonds as the Illinois Housing Development Authority Multifamily Initiative Bonds, Series 2009C (the "**Series 2009C Bonds**"). On November 18, 2010, the Authority converted \$34,670,000 aggregate principal amount of the Series 2009A Bonds and redesignated them as the Illinois Housing Development Authority Multifamily Initiative Bonds, Series 2009B (the "**Series 2009B Bonds**") and together with the Series 2009C Bonds, the "**Converted Bonds**"). See "THE NEW ISSUE BOND PROGRAM". This Supplement No. 2 to Official Statement ("**Supplement No. 2**") supplements and amends the Official Statement, dated December 18, 2009, relating to the Series 2009A Bonds (the "**Original Official Statement**") in connection with the conversion and redesignation of the Series 2009C Bonds. The Original Official Statement as supplemented and amended by this Supplement No. 2 is referred to as the "**Official Statement**". The Original Official Statement is attached to this Supplement No. 2 as Appendix F. To the extent not supplemented and amended by this Supplement No. 2, the Original Official Statement remains in full force and effect. Certain capitalized terms used but not otherwise defined in this Supplement No. 2 are defined in the Original Official Statement or in the Indenture defined below.

The Series 2009C Bonds were issued pursuant to and are outstanding under the Trust Indenture, dated as of December 1, 2009 (the "**Trust Indenture**"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as trustee (the "**Trustee**"), the Series 2009A Supplemental Indenture, dated as of December 1, 2009 (the "**Series 2009A Supplemental Indenture**"), between the Authority and the Trustee, the Series 2009B Supplemental Indenture, dated as of November 1, 2010 (the "**Series 2009B Supplemental Indenture**"), between the Authority and the Trustee, and the Series 2009C Supplemental Indenture, dated as of December 1, 2010 (the "**Series 2009C Supplemental Indenture**" and collectively with the Trust Indenture, the Series 2009A Supplemental Indenture and the Series 2009B Supplemental Indenture, the "**Indenture**"), between the Authority and the Trustee. Principal of and premium, if any, and interest on the Series 2009C Bonds will be paid by the Trustee as Paying Agent pursuant to the Indenture.

The Series 2009C Bonds are issuable only in registered form. The Depository Trust Company ("**DTC**" or the "**Depository**"), New York, New York, will act as securities depository for the Series 2009C Bonds and its nominee will be the registered owner of the Series 2009C Bonds. See "BOOK-ENTRY ONLY SYSTEM" in the Original Official Statement in Appendix F.

The Series 2009C Bonds will bear interest from and including December 16, 2010 to but excluding February 16, 2011 at a rate per annum equal to the lesser of (a) the interest rate for four week Treasury bills as of the Business Day (as defined in the Indenture) prior to December 16, 2010, plus 60 basis points or (b) 3.01%. Thereafter, the Series 2009C Bonds will bear interest at the permanent rate of 3.01% per annum to maturity. Interest on the Series 2009C Bonds will be payable on February 16, 2011 and

thereafter on March 1 and September 1 of each year, commencing March 1, 2011, and on each redemption date. See “THE SERIES 2009C BONDS”.

The Series 2009C Bonds are subject to redemption prior to maturity, including optional, projected sinking fund and special redemption, at the prices set forth herein under certain circumstances, as more fully described herein. See: “THE SERIES 2009C BONDS—Redemption Provisions” herein and “THE SERIES 2009A BONDS—Redemption Provisions” in the Original Official Statement in Appendix F.

The Series 2009C Bonds were issued to make funds available, together with certain other available moneys, to (a) fund Mortgage Loans in order to acquire, construct or rehabilitate multifamily residential housing located in the State of Illinois (the “**State**”), all as described herein and in Appendix B, including capitalized interest, if any, (b) make a deposit to the Reserve Fund equal to the amount of the Reserve Requirement, and (c) pay certain costs incurred in connection with the conversion and redesignation of the Series 2009C Bonds. See “SOURCES AND USES OF FUNDS.”

The Converted Bonds, the remaining unconverted Series 2009A Bonds and any Subsequent Series of Bonds issued and outstanding under the Indenture are secured by a pledge of the Trust Estate established under the Indenture, including revenues, assets or moneys held under the Indenture and the related Supplemental Indentures (other than the Rebate Fund, if any), in each case solely to the extent such items are subject to the pledge, assignment, lien and security interest as provided in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009C BONDS” herein and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS” in the Original Official Statement in Appendix F.

**The Series 2009C Bonds are special, limited obligations of the Authority. The Series 2009C Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The Series 2009C Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State or any political subdivision thereof but will be payable solely from the revenues or assets of the Authority pledged therefor. Neither the State nor any political subdivision thereof is liable on the Series 2009C Bonds, and the Series 2009C Bonds are not a debt of the State or any political subdivision thereof and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2009C Bonds.**

**The Series 2009C Bonds are not general obligations of the Authority and are not a debt of or guaranteed by the State or any political subdivision thereof or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that the relevant provisions of Section 26.1 of the Act, as amended, which require 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 Series 2009C Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009C BONDS” herein and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS” in Appendix F.**

*The delivery of the Series 2009C Bonds is subject to the opinion of Kutak Rock LLP, Chicago, Illinois, Bond Counsel, as to the validity of, and the excludability from gross income for federal income tax purposes of interest on, the Series 2009C Bonds. Certain legal matters will be passed upon for the Authority by its Acting General Counsel, Kristi S. Poskus, Esq. and by its counsel, Schiff Hardin LLP, Chicago, Illinois. See “LEGAL MATTERS.”*

## CONCERNING THE OFFICIAL STATEMENT

No person has been authorized by the Authority to give any information or to make any representations other than those contained in the Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. The 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 Series 2009C 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 the Official Statement are subject to change without notice, and neither the delivery of the 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 the Official Statement.

THE SERIES 2009C BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS AND INDENTURES RELATING TO THE SERIES 2009C 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 SERIES 2009C BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE SERIES 2009C BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE SERIES 2009C 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 THE OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Official Statement contains “forward looking statements” within the meaning of the federal securities laws. These forward looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward looking statements in the Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

## TABLE OF CONTENTS

|   |     |
|---|-----|
| INTRODUCTION .....  | 1   |
| THE NEW ISSUE BOND PROGRAM.....   | 4   |
| SOURCES AND USES OF FUNDS .....   | 5   |
| THE AUTHORITY .....   | 5   |
| Membership .....  | 5   |
| Management.....   | 6   |
| SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009C BONDS .....  | 7   |
| General.....  | 7   |
| Credit Enhancement of the Series 2010C Mortgage Loans.....  | 7   |
| Projected Sinking Fund Redemption .....   | 8   |
| Reserve Fund .....  | 9   |
| Additional Bonds .....  | 9   |
| THE SERIES 2009C BONDS.....   | 10  |
| General.....  | 10  |
| Redemption Provisions .....   | 10  |
| Projected Sinking Fund Redemption .....   | 10  |
| Optional Redemption .....   | 12  |
| Selection of Bonds To Be Redeemed .....   | 12  |
| Redemption Restrictions and Recycling Prohibition.....  | 12  |
| Notice of Redemption.....   | 13  |
| Book-Entry Only System.....   | 14  |
| TAX MATTERS .....   | 14  |
| Opinion of Bond Counsel .....   | 14  |
| Certain Parity Indenture Aspects .....  | 15  |
| Certain Ongoing Federal Tax Requirements and Covenants.....   | 15  |
| Low Income Set-Aside Requirements under the Code.....   | 16  |
| Certain Collateral Federal Tax Consequences.....  | 16  |
| Original Issue Discount.....  | 17  |
| Bond Premium .....  | 18  |
| Information Reporting and Backup Withholding .....  | 18  |
| Miscellaneous .....   | 19  |
| LEGAL MATTERS .....   | 19  |
| LITIGATION .....  | 19  |
| RATINGS .....   | 19  |
| CONTINUING DISCLOSURE .....   | 20  |
| MISCELLANEOUS .....   | 21  |
| APPENDIX A  | A-1 |
| Proposed Form of Opinion of Bond Counsel.....   | A-1 |
| APPENDIX B  | B-1 |
| Description of Mortgage Loans and Developments Expected to be Financed<br>by the Series 2009C Bonds ..... | B-1 |
| APPENDIX C  | C-1 |
| Description of Mortgage Loans and Developments Expected to be Financed<br>by the Series 2009B Bonds ..... | C-1 |
| APPENDIX D  | D-1 |
| Mortgage Insurance Programs — The FHA Risk-Sharing Program.....   | D-1 |
| Appendix E  | E-1 |
| Summary of the Authority’s Continuing Disclosure Undertaking.....   | E-1 |
| APPENDIX F  | F-1 |
| The Original Official Statement.....  | F-1 |

**Supplement No. 2 to Official Statement**  
**dated December 16, 2010**  
**relating to**  
**\$27,860,000**  
**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**Multifamily Initiative Bonds, Series 2009C**

**INTRODUCTION**

This Supplement No. 2 to Official Statement (including the cover page and appendices, “**Supplement No. 2**”) is being furnished by the Illinois Housing Development Authority (the “**Authority**”) in order to provide information in connection with the conversion and redesignation of a portion of the Authority’s Multifamily Initiative Bonds, Series 2009A (the “**Series 2009A Bonds**”), as the Multifamily Initiative Bonds, Series 2009C (the “**Series 2009C Bonds**”). The Series 2009A Bonds were issued by the Authority on December 30, 2009 pursuant to the Illinois Housing Development Act, 20 ILCS 3805/1 *et seq.*, as amended (the “**Act**”). On November 18, 2010, the Authority converted \$34,670,000 aggregate principal amount of the Series 2009A Bonds and redesignated them as the Illinois Housing Development Authority Multifamily Initiative Bonds, Series 2009B (the “**Series 2009B Bonds**” and together with the Series 2009C Bonds, the “**Converted Bonds**”).

Supplement No. 2 supplements and amends the Official Statement dated December 18, 2009, relating to the Series 2009A Bonds (the “**Original Official Statement**”) in connection with such conversion and redesignation. The Original Official Statement as supplemented and amended by this Supplement No. 2 is referred to as the “**Official Statement**”). The Original Official Statement is attached to this Supplement No. 2 as Appendix F. To the extent not supplemented and amended by this Supplement No. 2, the Original Official Statement remains in full force and effect. Certain capitalized terms used but not otherwise defined in this Supplement No. 2 are defined in “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions” in the Original Official Statement attached as Appendix F or in the Indenture defined below.

**This Supplement No. 2 describes the Series 2009C Bonds during the period in which the Series 2009C Mortgage Loans all have credit enhancement under the FHA Risk-Sharing Program as described in Appendix D. If (i) the FHA Risk-Sharing Program is changed substantially from the program described in Appendix D, or (i) one or more of the Series 2009C Mortgage Loans is supported by other forms of credit enhancement, or (iii) one or more of the Series 2009C Developments receives federal housing subsidy payments under the Section 8 housing assistance payments program, the Section 236 program or other similar federal housing subsidy programs and such payments are at any time material to the credit of the Series 2009C Bonds, the Authority will prepare and provide to the registered owners of the Series 2009C Bonds promptly an additional supplement to the Official Statement that describes the changes in the FHA Risk-Sharing**

**Program, the new form of credit enhancement or the relevant federal housing subsidy program, as applicable.**

The Series 2009A Bonds were issued and the Series 2009C Bonds are being converted and redesignated under the provisions of (i) the Trust Indenture, dated as of December 1, 2009 (the “**Trust Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as trustee (the “**Trustee**”), (ii) the Series 2009A Supplemental Indenture, dated as of December 1, 2009 (the “**Series 2009A Supplemental Indenture**”), between the Authority and the Trustee, (iii) a determination of the Chairman and Executive Director of the Authority with respect to the Series 2009A Bonds (the “**Series 2009A Determination**”), (iv) the Series 2009B Supplemental Indenture, dated as of November 1, 2010 (the “**Series 2009B Supplemental Indenture**”), between the Authority and the Trustee, (v) the Series 2009C Supplemental Indenture, dated as of December 1, 2010 (the “**Series 2009C Supplemental Indenture**” and collectively with the Trust Indenture, the Series 2009A Supplemental Indenture and the Series 2009B Supplemental Indenture, the “**Indenture**”), between the Authority and the Trustee, (vi) a determination of the Chairman and Executive Director of the Authority with respect to the Series 2009C Bonds (the “**Series 2009C Determination**” and together with the Series 2009A Determination, the “**Determinations**”), and (vii) Resolution 2009-IHDA-158 of the Authority adopted on November 20, 2009 (the “**Bond Resolution**”), as amended by Resolution 2009-IHDA-178 of the Authority adopted on December 18, 2009 (the “**First Amendatory Resolution**”), and as further amended by Resolution 2010-IHDA-123 of the Authority adopted on September 17, 2010 (the “**Second Amendatory Resolution**” and together with the Bond Resolution, the First Amendatory Resolution and the Determinations, the “**Resolution**”).

The Trust Indenture contains terms and conditions relating to the Bonds, including terms and conditions relating to the issuance and sale of Bonds and various covenants and security provisions, certain of which are summarized in “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” in the Original Official Statement in Appendix F. That summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Trust Indenture, to which reference is hereby made, copies of which are available from the Authority or the Trustee.

A portion of the proceeds of the Series 2009C Bonds in the amount of \$27,860,000 (the “**Released Amount**”) is being released on December 16, 2010 (the “**Release Date**”) and a portion of the Series 2009A Bonds allocable to the Released Amount is being redesignated as the Series 2009C Bonds. The Authority is authorized by the Act, the Resolution and the Indenture to (i) release a portion of the proceeds of the Series 2009A Bonds currently held in escrow by the Trustee in a principal amount corresponding to the principal amount of the Series 2009C Bonds, (ii) redesignate a corresponding portion of the Series 2009A Bonds as the Series 2009C Bonds, and (iii) convert the interest rate on the Series 2009C Bonds from the Short-Term Rate (as defined in the Original Official Statement) to the Permanent Rate (as defined in the Original Official Statement) on February 16, 2011 (the “**Conversion Date**”). See “THE NEW ISSUE BOND PROGRAM”.

Under the Act, the Authority is authorized to finance mortgage loans for multifamily housing for persons and families of low and moderate income in the State of Illinois (the “**State**”). Under the Indenture, the Authority is authorized to issue bonds to provide funds for the

making of multifamily mortgage loans to housing sponsors (the “**Developers**”) eligible under the Act for the financing of housing developments (the “**Developments**”), including making deposits in funds and accounts under the Indenture, all as specified in one or more Determinations. Multifamily mortgage loans financed under the Resolution and the Indenture, including, without limitation, the loans described in Appendix B–“DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS EXPECTED TO BE FINANCED BY THE SERIES 2009C BONDS” and Appendix C – “DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS EXPECTED TO BE FINANCED BY THE SERIES 2009B BONDS”, to the extent such loans constitute Permitted Mortgage Loans as defined in the Series 2009A Supplemental Indenture, are referred to at various times as either the “**Mortgage Loans**” or the “**Mortgage Loan**”, as appropriate.

Following the Release Date, a portion of the proceeds of the Series 2009A Bonds in an amount equal to the Released Amount will be transferred from the Series 2009A Escrow Account in the Program Fund to the Series 2009C Funding Account in the Program Fund and used, together with certain other available moneys, to (a) fund Mortgage Loans (the “**Series 2009C Mortgage Loans**”) to the Developers identified in Appendix B–“DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS EXPECTED TO BE FINANCED BY THE SERIES 2009C BONDS” to finance the acquisition, construction and/or rehabilitation of the Developments described in Appendix B (the “**Series 2009C Developments**”), including capitalized interest, if any, (b) make a deposit to the Reserve Fund equal to the amount of the Reserve Requirement, and (c) pay certain costs incurred in connection with the conversion and redesignation of the Series 2009C Bonds. See “SOURCES AND USES OF FUNDS.” Proceeds of the Series 2009A Bonds released on November 18, 2010 upon the conversion and redesignation of the Series 2009B Bonds were used to fund Mortgage Loans to the Developers identified in Appendix C–“DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS EXPECTED TO BE FINANCED BY THE SERIES 2009B BONDS” to finance the acquisition, construction and/or rehabilitation of the Developments described in Appendix C.

The Series 2009A Bonds were the first obligations issued by the Authority under the Trust Indenture. The Trust Indenture provides that Subsequent Series of Bonds may be issued under the Trust Indenture pursuant to a Supplemental Indenture and Determination, the proceeds of which are available to the Authority to finance one or more Developments. The Series 2009B Bonds were the first Subsequent Series and the Series 2009C Bonds are the second Subsequent Series. Additional Subsequent Series may be issued by the Authority which will be on parity with the Converted Bonds, the remaining unconverted Series 2009A Bonds, and other Subsequent Series of Bonds outstanding under the Trust Indenture, in accordance with and under the provisions of the Trust Indenture, the Resolution and the Act. The Converted Bonds, the remaining unconverted Series 2009A Bonds and any additional Subsequent Series of Bonds issued under the Trust Indenture are hereinafter sometimes collectively called the “**Bonds**.”

**All of the Bonds issued and outstanding under the Indenture, including the Converted Bonds, the unconverted Series 2009A Bonds, and Subsequent Series of Bonds, are parity bonds and are equally and ratably secured by the “Trust Estate” under the Indenture. Under the Indenture, Subsequent Series may be issued if (i) the Bonds of such Subsequent Series are rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Standard & Poor’s Ratings Services, (ii) the issuance of such Subsequent Series will not result in the withdrawal of lowering of the rating on any other Series of Bonds then**

**outstanding, and (iii) certain other conditions are satisfied. Subsequent Series of Bonds may be secured by credit enhancement other than FHA insurance provided under the FHA Risk-Sharing Program.**

The Bonds are special, limited obligations of the Authority and are payable solely from the Authority's revenues, assets or moneys pledged therefor under the Indenture. The Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. Neither the State nor any political subdivision thereof is liable on the Bonds, and the Bonds are not a debt of the State or any political subdivision thereof and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009C BONDS" below and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS" in the Original Official Statement attached as Appendix F.

**The Bonds are not general obligations of the Authority and are not a debt of or guaranteed by the State or any political subdivision thereof or the United States or any agency or instrumentality thereof. The Authority has determined by resolution that the relevant provisions of Section 26.1 of the Act, as amended, which require 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 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009C BONDS" below and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS" in the Original Official Statement attached as Appendix F.**

#### **THE NEW ISSUE BOND PROGRAM**

The Authority issued the Series 2009A Bonds as escrow bonds under the Multifamily New Issue Bond Program (the "**NIBP Program**") announced by the United States Department of the Treasury ("**Treasury**"), Fannie Mae and Freddie Mac. The Series 2009A Bonds were purchased by Fannie Mae and Freddie Mac (the "**Purchasers**" or the "**GSEs**") pursuant to the NIBP Program, the Bond Resolution, the First Amendatory Resolution, the Series 2009A Determination, the Trust Indenture and the Series 2009A Supplemental Indenture. Proceeds derived from the sale of the Series 2009A Bonds in an amount equal to \$184,080,000 were deposited in the Series 2009A Escrow Account in the Program Fund established by the Trust Indenture and the Series 2009A Supplemental Indenture. Under the NIBP Program, the Purchasers exchanged the Series 2009A Bonds for securities issued by the Purchasers ("**GSE Securities**") backed by the Series 2009A Bonds, which securities were then purchased by the Treasury. Such GSE Securities are not part of the security for the Bonds. The Series 2009A Bonds bear interest at a short term variable rate and the interest rate calculation method may be converted in up to six tranches prior to December 31, 2011.

The release of amounts held in the 2009 Series A Escrow Account to become available to make Mortgage Loans depends upon compliance with various conditions set forth in agreements between the Authority and the Purchasers and in the Trust Indenture and the Series 2009A Supplemental Indenture. Upon the satisfaction of the conditions precedent to the release of funds

from the Series 2009A Escrow Account, the Authority expects to release the Released Amount from the Series 2009A Escrow Account on the Release Date. A portion of the Series 2009A Bonds corresponding to the Released Amount will be converted and re-designated as the Series 2009C Bonds on the Release Date pursuant to the Series 2009C Determination and the Series 2009C Supplemental Indenture.

### **SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds (net of accrued interest) in connection with the conversion and redesignation of the Series 2009C Bonds are as follows:

#### **Sources**

|                         |                                   |
|-------------------------|-----------------------------------|
| Released Amount         | \$27,860,000.00                   |
| Borrowers' Contribution | <u>945,637.85</u>                 |
| <br>Total Sources       | <br><u><u>\$28,805,637.85</u></u> |

#### **Uses**

|  |                                   |
|--|-----------------------------------|
| Deposit to Series 2009C Funding Account of<br>the Program Fund | \$27,231,000.00                   |
| Deposit to the Reserve Fund                                    | 629,000.00                        |
| Capitalized interest   | 113,297.85                        |
| GSE fees   | 7,500.00                          |
| Costs of Issuance  | <u>824,840.00</u>                 |
| <br>Total Uses   | <br><u><u>\$28,805,637.85</u></u> |

### **THE AUTHORITY**

#### **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 Rosenman LLP

KAREN DAVIS, Vice Chair – Manager, Regions Bank, NA

MARK KOCHAN, Secretary – Attorney, Kochan & Kochan P.C.

MARY KANE, Treasurer – Senior Vice President, Stifel, Nicolaus & Company, Inc.

DEBORAH H. TELMAN, Member – Division Counsel, Abbott Laboratories

There are currently four vacancies in the Authority's membership.

## **Management**

Phillip Culpepper, the Authority's Deputy Executive Director and Chief of Staff, resigned. Mary R. Kenney, the Authority's General Counsel, left the Authority in October 2010 and was replaced by Kristi S. Poskus as Acting General Counsel. Michele Williams replaced James Kregor as the Authority's Controller effective in May 2010. Jane R. Bilger has been appointed an Assistant Executive Director, and Hazim Taib has been appointed an Assistant Executive Director and Assistant Treasurer.

KRISTI S. POSKUS, Acting General Counsel and Assistant Secretary, joined the Authority in April 2004. Prior to her employment with the Authority, she served as a Loan Administrator-Officer for Harris Bank. Ms. Poskus holds a Bachelor of Arts degree from the University of Wisconsin-Whitewater and a Juris Doctor degree from DePaul University College of Law.

MICHELE WILLIAMS, Controller, joined the Authority in May 2010. Ms. Williams is a Certified Public Accountant with a bachelor's degree in accounting. She has over 15 years experience in accounting and taxes for small business, industry and not-for-profit companies.

JANE R. BILGER, Assistant Executive Director, 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.

HAZIM TAIB, Assistant Executive Director and Assistant Treasurer, has been with the Authority since 1998. His responsibilities include overseeing the Authority's assets and liabilities, managing its capital budget along with its credit risk and rating. He has extensive experience in bond structuring, cash modeling, tax exempt issuance and rating agencies requirements. Mr. Taib holds a Master of Business Administration degree with emphasis in statistics and a Bachelor of Science degree in finance from Indiana State University and a degree in Public Administration from Universiti Teknologi MARA, Malaysia

For additional information concerning the Authority and its programs, see “THE AUTHORITY” and “OTHER AUTHORITY PROGRAMS” in the Original Official Statement attached as Appendix F.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009C BONDS**

### **General**

For general information concerning the security for and sources of payment of the Bonds, including the Series 2009C Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS” in the Original Official Statement attached as Appendix F.

### **Credit Enhancement of the Series 2010C Mortgage Loans**

The Series 2010C Mortgage Loans are expected to have credit enhancement under the FHA Risk-Sharing Program. See Appendix D–“MORTGAGE INSURANCE PROGRAMS–The FHA Risk-Sharing Program.”

The FHA Risk-Sharing Program is administered by the United States Department of Housing and Urban Development (“**HUD**”), acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992 (the “**Risk-Sharing Act**”) and applicable HUD Regulations found at 24 C.F.R. Part 266. The Risk-Sharing Act authorizes the Secretary of HUD (the “**HUD Secretary**”) to enter into risk-sharing agreements with qualified state or local housing finance agencies (“**HFA**s”) to enable HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible developments. Under this program, FHA endorses mortgages on qualified multifamily projects for insurance. HUD delegates to the HFA certain loan underwriting, loan management and property disposition functions. Upon default of an insured loan, FHA is required to make an initial payment in the amount of the unpaid principal and interest due to the date of claim. The HFA is required to reimburse HUD an agreed percentage of any loss resulting upon disposition of the property (but in any event within five years, subject to extension in the discretion of HUD).

Pursuant to Section 542(c) of the Risk-Sharing Act, the Authority and HUD have entered into a risk-sharing agreement, dated as of June 20, 1994 (the “**Risk Sharing Agreement**”) under which the Authority has been granted Level 1 status, HUD has agreed to provide federal insurance on certain mortgage loans made by the Authority, and the Authority has agreed to reimburse HUD for 50 percent to 90 percent (as negotiated for each specific mortgage loan) of the payments made by HUD on any of the mortgage loans insured under the federal insurance. However, any failure by the Authority to reimburse HUD pursuant to the Risk Sharing Agreement will not affect HUD’s obligation to pay insurance claims. Claims made by the Authority under the federal insurance program will be made at the times and in the manner described in Appendix D.

The Authority currently expects that its participation in the FHA Risk-Sharing Program will be in connection with new Series 2009C Mortgage Loans on a case-by-case basis.

**Neither FHA nor any other credit enhancer insures or guarantees the Series 2009C Bonds. The assets of FHA or of any other credit enhancers are not available to the**

**Authority or the Trustee to satisfy obligations to the holders of the Series 2009C Bonds. The obligations of FHA and other credit enhancers, if any, are limited to the payment of mortgage insurance claims, credit enhancement or guaranties as described herein.**

**This Supplement No. 2 describes the Series 2009C Bonds during the period in which the Series 2009C Mortgage Loans all have credit enhancement under the FHA Risk-Sharing Program as described in Appendix D. If (i) the FHA Risk-Sharing Program is changed substantially from the program described in Appendix D, or (i) one or more of the Series 2009C Mortgage Loans is supported by other forms of credit enhancement, or (iii) one or more of the Series 2009C Developments receives federal housing subsidy payments under the Section 8 housing assistance payments program, the Section 236 program or other similar federal housing subsidy programs and such payments are at any time material to the credit of the Series 2009C Bonds, the Authority will prepare and provide to the registered owners of the Series 2009C Bonds promptly an additional supplement to the Official Statement that describes the changes in the FHA Risk-Sharing Program, the new form of credit enhancement or the relevant federal housing subsidy program, as applicable.**

### **Projected Sinking Fund Redemption**

The Projected Sinking Fund Redemption Schedule on the Series 2009C Bonds described below under “THE SERIES 2009C BONDS—Projected Sinking Fund Redemption” has been established by the Authority in the Series 2009C Supplemental Indenture based on the scheduled amortization payments on the Series 2009C Mortgage Loans expected to be made or purchased with moneys on deposit in the Series 2009C Funding Account in the Program Fund. As described below under “THE SERIES 2009C BONDS—Projected Sinking Fund Redemption”, the Projected Sinking Fund Redemption Schedule may be revised by the Authority from time to time. If funds (including Series 2009C Mortgage Loan prepayments, if any) are received from time to time in amounts less than the amounts necessary to pay (i) the interest on Series 2009C Bonds and (ii) the redemption price of Series 2009C Bonds in accordance with the Projected Sinking Fund Redemption Schedule then in effect, the Trustee is required to redeem Series 2009C Bonds in such lesser amount and there shall be no Event of Default under the Indenture attributable to such lesser redemption. Payments of principal and interest on Series 2009C Mortgage Loans, including Series 2009C Mortgage Loan prepayments, in excess of the amounts necessary to pay the interest on Series 2009C Bonds and the redemption price of Series 2009C Bonds in accordance with the Projected Sinking Fund Redemption Schedule then in effect may be applied to redeem Series 2009C Bonds prior to maturity.

To the extent that Series 2009C Mortgage Loans are not purchased at the times and interest rates anticipated by the Authority, or timely payment of principal or interest on the Series 2009C Mortgage Loans is not received when due, or prepayments on Series 2009C Mortgage Loans are received at a rate substantially higher than assumed, or the Authority suffers losses on Series 2009C Mortgage Loans in excess of any applicable mortgage insurance or guarantee or in excess of amounts otherwise available therefor or investment income differs from the amount projected by the Authority, the moneys available under the Indenture for payment of the Series 2009C Bonds, including the amounts in the Reserve Fund, may be adversely affected and the redemption of Series 2009C Bonds pursuant to the Projected Sinking Fund Redemption

Schedule may be delayed. Certain proceeds of the Series 2009C Bonds, including proceeds on deposit in the Program Fund and the Reserve Fund, will be invested in Permitted Investments.

### **Reserve Fund**

The Trust Indenture requires that a Reserve Fund be established and provides for its funding and maintenance in an amount at least equal to the Reserve Requirement. The Trust Indenture establishes the Reserve Requirement as an amount at least equal to the aggregate amounts specified, if any, as the Reserve Requirement in the Supplemental Indentures authorizing all Series of Bonds currently outstanding. Pursuant to the Series 2009C Supplemental Indenture, the Reserve Requirement with respect to the Series 2009C Bonds is an amount equal to the maximum amount of principal and interest due on the Series 2009C Bonds on any interest payment date (excluding the final interest payment date). For purposes of this calculation, principal due on any date includes principal payable at maturity (and not scheduled for payment pursuant to sinking fund installments) and principal payable pursuant to sinking fund installments. Any change from time to time in the amount of this Series 2009C Reserve Requirement shall be evidenced by a calculation made by the Authority and submitted in writing to the Trustee. The Trustee may conclusively rely on any such calculation by the Authority. In connection with the conversion and redesignation of the Series 2009C Bonds, a deposit in the amount of \$629,000, equal to the maximum amount of principal and interest due on the Series 2009C Bonds on any interest payment date (beginning on and after March 1, 2013 and excluding the final interest payment date) as of the delivery of the Series 2009C Bonds, will be made into the Reserve Fund. See “SOURCES AND USES OF FUNDS” above.

For further information concerning the Reserve Fund, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS—Reserve Fund” in the Original Official Statement attached as Appendix F.

### **Additional Bonds**

The Indenture permits the issuance of Subsequent Series of Bonds for the purpose of providing funds to be applied with other available funds to make Mortgage Loans to borrowers with respect to Developments pursuant to the terms of a Supplemental Indenture and Determination (each as defined in the Trust Indenture). Any Subsequent Series of Bonds issued under the Trust Indenture would be on a parity with the Converted Bonds, the remaining unconverted Series 2009A Bonds and other Subsequent Series of Bonds outstanding under the Trust Indenture, and would be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Trust Indenture, provided such Bonds are only secured by multifamily loans which are Permitted Mortgage Loans. The Trust Indenture provides that upon the issuance of any Subsequent Series of Bonds there is to be deposited in the Reserve Fund, if necessary, amounts sufficient to increase the amount therein to the Reserve Requirement calculated after such issuance.

**All of the Bonds issued and outstanding under the Indenture, including the unconverted Series 2009A Bonds, the Converted Bonds and Subsequent Series of Bonds, are parity bonds and are equally and ratably secured by the “Trust Estate” under the Indenture. Under the Indenture, Subsequent Series may be issued if (i) the Bonds of such**

**Subsequent Series are rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Standard & Poor’s Ratings Services, (ii) the issuance of such Subsequent Series will not result in the withdrawal of lowering of the rating on any other Series of Bonds then outstanding, and (iii) certain other conditions are satisfied. Subsequent Series of Bonds may be secured by credit enhancement other than FHA insurance provided under the FHA Risk-Sharing Program.**

For further information concerning Additional Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS—Additional Bonds” in the Original Official Statement attached as Appendix F.

## **THE SERIES 2009C BONDS**

### **General**

The Series 2009C Bonds are dated December 30, 2009, will mature on September 1, 2051 (the “**Stated Maturity**”), and will bear interest from December 16, 2010 (the “**Release Date**”) to but excluding February 16, 2011 (the “**Conversion Date**”) at a rate per annum equal to the lesser of (a) the interest rate for four week Treasury bills as of the Business Day prior to the Release Date plus 60 basis points or (b) 3.01%, payable on the Conversion Date. On and after the Conversion Date, the Series 2009C Bonds will bear interest at a rate per annum equal to 3.01% per annum, payable on each March 1 and September 1, commencing March 1, 2011 (each an “**Interest Payment Date**”) until payment of the principal thereof, from the Interest Payment Date next preceding the date of registration and authentication of each such Series 2009C Bond, unless such Series 2009C Bond is registered and authenticated as of an Interest Payment Date, in which case it shall bear interest from said Interest Payment Date, or unless such Series 2009C Bond shall be in default, in which event such Series 2009C Bond shall bear interest from the date on which interest was last paid on such Series 2009C Bond or from the Conversion Date if no interest has been paid on such Series 2009C Bond. The Series 2009C Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for DTC, which will act as securities depository for the Series 2009C Bonds. If any such dates are not business days, then payments will be made on the next business day. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Series 2009A Bonds and the Series 2009B Bonds will also mature, subject to prior redemption, on the Stated Maturity.

Payment of the principal of and the interest on the Series 2009C Bonds at Stated Maturity will be made upon the presentation and surrender of the Series 2009C Bonds. All payments of interest on and principal of, the Series 2009C Bonds will be paid through DTC in accordance with its normal procedures, which as of the date of this Supplement No. 2 provide for payment by the Securities Depository to its Direct Participants (as defined under the caption “BOOK-ENTRY ONLY SYSTEM” in the Original Official Statement attached as Appendix F).

### **Redemption Provisions**

**Projected Sinking Fund Redemption.** The Series 2009C Bonds are subject to special mandatory redemption (“**Projected Sinking Fund Redemption**”) in direct order of maturity

(and by lot within a maturity) at a redemption price equal to 100 percent of their principal amount, plus accrued interest to the date of redemption, if any, on the first Business Day of any month, pursuant to the provisions summarized under the caption “–Optional Redemption” below. No notice of such redemption shall be given to the Trustee, and the Trustee shall base its redemption of Series 2009C Bonds on the table set forth below, as revised from time to time by the Authority. Such table may be revised at any time in a certificate of the Authority provided to the Trustee. To the extent that amounts are available on the related redemption date for any such Projected Sinking Fund Redemption but are less than the related amount set forth in the table, the Trustee shall redeem Series 2009C Bonds in such lesser amount and there shall be no Event of Default under the Indenture attributable to such lesser redemption.

The Projected Sinking Fund Redemption Schedule is as follows:

| <u>Redemption Date</u> | <u>Projected Sinking Fund Redemption</u> | <u>Redemption Date</u> | <u>Projected Sinking Fund Redemption</u> |
|------------------------|--|------------------------|--|
| Sep 1, 2011            | 60,000                                   | Mar 1, 2032            | 280,000                                  |
| Dec 1, 2011            | 2,600,000                                | Sep 1, 2032            | 300,000                                  |
| Jan 1, 2012            | 2,640,000                                | Mar 1, 2033            | 300,000                                  |
| Mar 1, 2012            | 130,000                                  | Sep 1, 2033            | 300,000                                  |
| Sep 1, 2012            | 190,000                                  | Mar 1, 2034            | 320,000                                  |
| Mar 1, 2013            | 200,000                                  | Sep 1, 2034            | 330,000                                  |
| Sep 1, 2013            | 210,000                                  | Mar 1, 2035            | 330,000                                  |
| Mar 1, 2014            | 210,000                                  | Sep 1, 2035            | 340,000                                  |
| Sep 1, 2014            | 230,000                                  | Mar 1, 2036            | 340,000                                  |
| Mar 1, 2015            | 230,000                                  | Sep 1, 2036            | 350,000                                  |
| Sep 1, 2015            | 230,000                                  | Feb 1, 2037            | 60,000                                   |
| Mar 1, 2016            | 230,000                                  | Mar 1, 2037            | 280,000                                  |
| Sep 1, 2016            | 230,000                                  | Sep 1, 2037            | 280,000                                  |
| Mar 1, 2017            | 230,000                                  | Mar 1, 2038            | 280,000                                  |
| Sep 1, 2017            | 250,000                                  | Sep 1, 2038            | 290,000                                  |
| Mar 1, 2018            | 250,000                                  | Mar 1, 2039            | 290,000                                  |
| Sep 1, 2018            | 250,000                                  | Sep 1, 2039            | 290,000                                  |
| Mar 1, 2019            | 260,000                                  | Mar 1, 2040            | 300,000                                  |
| Sep 1, 2019            | 260,000                                  | Sep 1, 2040            | 300,000                                  |
| Mar 1, 2020            | 260,000                                  | Mar 1, 2041            | 310,000                                  |
| Sep 1, 2020            | 270,000                                  | Sep 1, 2041            | 320,000                                  |
| Mar 1, 2021            | 270,000                                  | Mar 1, 2042            | 320,000                                  |
| Sep 1, 2021            | 270,000                                  | May 1, 2042            | 30,000                                   |
| Mar 1, 2022            | 290,000                                  | Sep 1, 2042            | 250,000                                  |
| Sep 1, 2022            | 290,000                                  | Mar 1, 2043            | 250,000                                  |
| Mar 1, 2023            | 300,000                                  | Sep 1, 2043            | 260,000                                  |
| Sep 1, 2023            | 300,000                                  | Mar 1, 2044            | 260,000                                  |
| Mar 1, 2024            | 300,000                                  | Sep 1, 2044            | 270,000                                  |
| Sep 1, 2024            | 300,000                                  | Mar 1, 2045            | 270,000                                  |
| Mar 1, 2025            | 320,000                                  | Sep 1, 2045            | 270,000                                  |
| Sep 1, 2025            | 330,000                                  | Mar 1, 2046            | 280,000                                  |
| Mar 1, 2026            | 330,000                                  | Sep 1, 2046            | 280,000                                  |
| Sep 1, 2026            | 330,000                                  | Mar 1, 2047            | 290,000                                  |
| Mar 1, 2027            | 330,000                                  | Sep 1, 2047            | 290,000                                  |

| <u>Redemption Date</u> | <u>Projected Sinking Fund Redemption</u> | <u>Redemption Date</u> | <u>Projected Sinking Fund Redemption</u> |
|------------------------|--|------------------------|--|
| Sep 1, 2027            | 260,000                                  | Mar 1, 2048            | 300,000                                  |
| Mar 1, 2028            | 260,000                                  | Sep 1, 2048            | 300,000                                  |
| Sep 1, 2028            | 260,000                                  | Mar 1, 2049            | 310,000                                  |
| Mar 1, 2029            | 270,000                                  | Sep 1, 2049            | 320,000                                  |
| Sep 1, 2029            | 270,000                                  | Mar 1, 2050            | 320,000                                  |
| Mar 1, 2030            | 270,000                                  | Sep 1, 2050            | 330,000                                  |
| Sep 1, 2030            | 270,000                                  | Mar 1, 2051            | 330,000                                  |
| Mar 1, 2031            | 280,000                                  | Sep 1, 2051            | 340,000                                  |
| Sep 1, 2031            | 280,000                                  |                        |  |

**Optional Redemption.** The Series 2009C Bonds are subject to optional redemption in minimum denominations of \$10,000 and integral multiples of \$10,000 in excess of that amount at the option of the Authority, in whole or in part, from any source of funds, on the first Business Day of any month, at a redemption price equal to 100% of the principal amount of the Series 2009C Bonds to be redeemed, without premium, plus accrued interest, if any, to the redemption date.

**Selection of Bonds To Be Redeemed.** In the event of redemption of less than all of the outstanding Series 2009C Bonds, the Series 2009C Bonds to be redeemed shall be selected by the Authority in its sole discretion by written notice to the Trustee of the principal amount of the Series 2009C Bonds to be redeemed, or if not so provided, randomly in such manner as the Trustee in its discretion deems fair. Whenever the Trustee is required or authorized to redeem Series 2009C Bonds other than at the election or direction of the Authority, the Trustee shall select the Series 2009C Bonds to be redeemed, give the notice of redemption and pay out of moneys available therefor (or pay to any Paying Agent, if applicable) the redemption price to the appropriate Paying Agent or Paying Agents in accordance with the terms of the Indenture. The Series 2009C Bonds may be redeemed only in minimum denominations of \$10,000 and integral multiples of \$10,000 in excess of that amount. All Series 2009C Bonds called for redemption will cease to accrue interest on the specified redemption date and shall no longer be considered outstanding under the Indenture, if funds sufficient for the redemption of those Series 2009C Bonds are deposited with the Trustee. Upon presentation and surrender of Series 2009C Bonds called for redemption at the place or places of payment, together with a written instrument of transfer duly executed by the owner thereof or by the owner's attorney duly authorized in writing, such Series 2009C Bonds are to be paid and redeemed.

**Redemption Restrictions and Recycling Prohibition.** Except as limited by tax law requirements, the Authority shall apply the following exclusively to the redemption of Series 2009C Bonds: (i) all proceeds of the Series 2009C Bonds, to the extent not used to fund Permitted Mortgage Loans, refund outstanding bond issues as provided in the Indenture, pay Series 2009C Bond issuance expenses or fund related reserve accounts and (ii) a *pro rata* portion (calculated based on the outstanding principal amount of the Series 2009C Bonds divided by the sum of the outstanding principal amount of the Series 2009A Bonds, the outstanding principal amount of the Series 2009B Bonds, the outstanding principal amount of the Series 2009C Bonds, and the outstanding principal amount of any Subsequent Series issued in conjunction with and secured by the Trust Estate on a parity with the Series 2009A Bonds, the Series 2009B Bonds,

the Series 2009C Bonds) of all principal prepayments and recoveries of principal received with respect to the Permitted Mortgage Loans acquired or financed with the proceeds of the Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds and any such Subsequent Series, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on the Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds and any Subsequent Series issued in conjunction with and secured by the Trust Estate on a parity with the Series 2009A Bonds, the Series 2009B Bonds and the Series 2009C Bonds. Notwithstanding the foregoing, tax credit equity with respect to projects funded with Permitted Mortgage Loans may be used solely to redeem related bonds issued in conjunction with Series 2009A Bonds, Series 2009B Bonds or Series 2009C Bonds. Amounts set forth in clause (ii) are required to be applied to the redemption of Series 2009C Bonds promptly and as provided above shall not be recycled into new Permitted Mortgage Loans. The Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds and any Subsequent Series issued in conjunction with and secured by the Trust Estate on a parity with the Series 2009A Bonds, the Series 2009B Bonds and the Series 2009C Bonds may be redeemed with payments of specified Permitted Mortgage Loans.

**Notice of Redemption.** When the Trustee is required or authorized to redeem Series 2009C Bonds, the Trustee will, in accordance with the terms and provisions of the Series 2009C Bonds and of the Indenture, give notice (which notice shall be dated the date given) of the redemption of Series 2009C Bonds, which notice will specify (a) the name of the Series 2009C Bonds, (b) the date of issue, (c) the redemption price, (d) the CUSIP number or numbers of the Series 2009C Bonds to be redeemed, (e) the redemption date and the place or places where amounts due upon such redemption will be payable (including name and address of the Trustee or redemption agent, with contact person and telephone number), (f) if less than all of the Series 2009C Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2009C Bonds so to be redeemed (*i.e.*, certificate numbers), (g) in the case of a Series 2009C Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed, and (h) such other information as may be specified in the Series 2009C Supplemental Indenture. Such notice will further state that, except as otherwise provided in the second succeeding paragraph, on the redemption date there will become due and payable upon each Series 2009C Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal amount thereof in the case of a Series 2009C Bond to be redeemed in part only, and that from and after such date, interest on such Series 2009C Bond will cease to accrue and be payable. Such notice will be given by mailing a copy of such notice, first class mail, postage prepaid, at least 30 days but no more than 60 days prior to such redemption date, to the registered owner of any Series 2009C Bond, all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registry books, but failure so to mail any such notice or any defect in such notice will not be a condition precedent to or affect the validity of any proceedings for the redemption of other Series 2009C Bonds.

In addition, the Trustee will send (no more than 60 days after the date for redemption) a further notice of redemption to each registered owner who has not presented his or her Series 2009C Bond for redemption within 30 days subsequent to the redemption date. Each such notice will be sent by first class mail, postage prepaid.

Any notice of redemption may, if directed by the Authority, be given specifying that the redemption of the Series 2009C Bonds so called for redemption is made conditional upon the deposit of sufficient amounts to pay the redemption price therefor on the redemption date and, if amounts are not so available, such notice of redemption shall be cancelled and be null and void and the Series 2009C Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain outstanding.

Additionally, written notice of each redemption of Series 2009C Bonds must be provided by the Trustee to the GSEs, the Administrator and the Treasury's Financial Agent, such notice to be provided by facsimile transmission to addresses provided by such parties. Redemption of Series 2009C Bonds will not be conditioned or delayed for the giving of such notice, which must be provided at least ten (10) days in advance of the date of such redemption.

### **Book-Entry Only System.**

The Series 2009C Bonds are issuable only in registered form. DTC will act as securities depository for the Series 2009C Bonds and its nominee will be the registered owner of the Series 2009C Bonds. See "BOOK-ENTRY ONLY SYSTEM" in the Original Official Statement in Appendix F.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described herein, interest on the Series 2009C 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 Series 2009C Bond for any period during which the Series 2009C Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series 2009C Bonds or a "related person" within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Series 2009C Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the Developers in connection with the Series 2009C Bonds, and Bond Counsel has assumed compliance by the Authority and the Developers with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Under the Act, in its present form, the Bonds and all income from the Series 2009C Bonds is free from all taxation of the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes. Future legislation enacted in the State of Illinois could alter the tax status of bonds issued by the Authority prior to enactment. There is no way to predict the scope of future legislative proposals, and whether such proposals, if enacted, will alter the tax

status of the Series 2009C Bonds. In addition, the Series 2009C Bonds and the income therefrom may be subject to taxation under the laws of the states other than the State of Illinois.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2009C Bonds, and renders its opinion under existing statutes and court decisions as of the issue date, and assumes 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. Bond Counsel expresses 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 Series 2009C Bonds, or under state and local tax law.

### **Certain Parity Indenture Aspects**

Each series of Bonds issued under the Indenture with the intention that the interest paid thereon will be excludable from gross income for Federal income tax purposes (“**Tax-Exempt Bonds**”), including the Series 2009C Bonds, must satisfy the applicable requirements of the Code. In general, Tax-Exempt Bonds originally issued for new money purposes after the general effective date of the Code (August 16, 1986), are fully subject to the applicable requirements of the Code, including the more restrictive low income set-aside requirements under the Code. The Series 2009C Bonds are fully subject to the low income set-aside requirements of the Code. This section includes brief summaries of certain low income set-aside requirements applicable to the Series 2009C Bonds under the Code.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2009C Bonds in order that interest on the Series 2009C 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 use and expenditure of gross proceeds of the Series 2009C Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Series 2009C Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted in the Indenture that it will do and perform all acts necessary or desirable to assure the exclusion of interest on the Series 2009C Bonds from gross income under Section 103 of the Code. The Authority will deliver its Tax Certificate concurrently with the issuance of the Series 2009C Bonds which will contain provisions relating to compliance with the requirements of the Code. The Authority also has required or will require Developers to make certain covenants in the Mortgage Loan program documents relating to compliance with the requirements of the Code. No assurance can be given, however, that in the event of a breach of any such covenant, the remedies available to the Authority or the owners of the Series 2009C Bonds can be enforced judicially in a manner to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income of the interest on the Series 2009C Bonds for Federal income tax purposes. Such Federal tax compliance covenants will be subordinate to the rights of FHA under the Series 2009C Loan documents and the

enforcement of such covenants will be subject to FHA approval. Because of these FHA restrictions, enforcement remedies available to the Authority or any other mortgagee may be inadequate to prevent the loss of tax exemption of interest on such Series 2009C Bonds for Federal income tax purposes.

### **Low Income Set-Aside Requirements under the Code**

The Series 2009C Bonds are subject to the low income set-aside and other requirements for qualified residential rental projects under the Code which are described briefly in this subsection. The Code requires that at least 95 percent of the net proceeds of exempt facility bonds under Section 142(a)(7) (after reduction for amounts applied to fund a reasonably required reserve fund) be used to provide “qualified residential rental projects.” The Code defines a residential rental project as a project containing units with separate and complete facilities for living, sleeping, eating, cooking, and sanitation that are available to the general public and are to be used on other than a transient basis. Section 142(d) of the Code requires that either (i) at least 20% of the completed units in a project to be financed with the proceeds of the Series 2009C Bonds be continuously occupied during the “qualified project period” by individuals and families whose annual adjusted income does not exceed 50% of the area median income (with adjustments for family size), or (ii) at least 40% of the completed units in a project to be financed with the proceeds of the Series 2009C Bonds be continuously occupied during the qualified project period by individuals and families whose annual adjusted income does not exceed 60% of the area median income (with adjustments for family size). The Authority will make elections on the applicable low income set-aside requirements with respect to the Developments expected to be financed with the proceeds of the Series 2009C Bonds prior to the issuance date of the Series 2009C Bonds. In addition, all of the units in any Development must be rented or available for rental on a continuous basis throughout the applicable qualified project period. The Code defines the “qualified project period” as the period beginning on the first day upon which 10% of the units in a project are occupied and ending on the latest of (i) the date that is 15 years after the date upon which 50% of the residential units in such project are occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to such project is outstanding, or (iii) the date upon which any assistance provided with respect to such project under Section 8 of the United States Housing Act of 1937, as amended, terminates. A Development generally will meet the continuing low income set aside requirement so long as a tenant’s income does not increase to more than 140% of the applicable income limitation. Generally, upon an increase of a tenant’s income over 140% of the applicable income limitation, the next available unit of comparable or smaller size in the applicable Development must be rented to a tenant whose income does not exceed the applicable income limitation. The Code requires annual certifications to be made to the Secretary of the Treasury regarding compliance with the applicable income limitations.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2009C Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2009C Bond. 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 Series 2009C Bonds.

Prospective owners of the Series 2009C 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 or railroad retirement benefits, 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 excluded from gross income for Federal income tax purposes. The extent of these collateral tax consequences will depend upon such owner's particular tax status and other items of income or deduction, and Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2009C Bonds should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2009C Bonds. Interest on the Series 2009C 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 Series 2009C 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 Series 2009C 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 Series 2009C Bonds is expected to be the initial public offering price set forth on the cover page (or inside cover page) of this Official Statement with respect to such Series 2009C Bonds. In general, under Section 1288 of the Code, OID on a Series 2009C Bond having OID (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 Series 2009C 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.

Due to the fact that the interest rate on the Series 2009C Bonds increases two months following the Release Date, the Series 2009C Bonds may be considered issued with original issue discount for federal income tax purposes.

Generally, such original issue discount is amortized over the term of any such Discount Bonds, and such amortized amount is treated as tax-exempt interest. 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 Series 2009C 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 Series 2009C 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 Series 2009C 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 (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). 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.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2009C Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2009C Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2009C Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2009C Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2009C Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2009C Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2009C Bonds or the market value thereof would be impacted thereby. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2009C Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Purchasers of the Series 2009C Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

## **LEGAL MATTERS**

The authorization and delivery of the Series 2009C Bonds are subject to receipt of the opinion of Kutak Rock LLP, Chicago, Illinois, Bond Counsel, which will be in substantially the form set forth in Appendix A. Certain legal matters will be passed upon for the Authority by its Acting General Counsel, Kristi S. Poskus, Esq., and by its counsel, Schiff Hardin LLP, 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 Series 2009C Bonds or which in any way contests the validity of the Series 2009A Bonds or the Converted Bonds or any proceedings of the Authority taken with respect to their issuance or sale or the pledge or application of any moneys or the security provided for the payment of the Series 2009A Bonds or the Converted 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 Series 2009C Bonds, of the Authority.

## **RATINGS**

The Series 2009C Bonds have received ratings of “Aaa” and “AAA”, respectively, from Moody’s Investors Service, Inc. (“**Moody’s**”) and Standard & Poor’s Ratings Services, a business unit of Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill

Companies (“S&P”). Ratings assigned to the Series 2009C 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 that have been assigned to the Series 2009C 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 Series 2009C Bonds.

#### CONTINUING DISCLOSURE

In connection with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, the Authority has agreed to provide to certain parties certain annual financial information and operating data and notices of certain material events. In addition, the Authority has agreed to file annually, within 180 days after the close of each Fiscal Year, beginning with the fiscal year ending June 30, 2010, financial statements for such Fiscal Year. The financial statements must be accompanied by the related report of its independent public accountants. The Authority’s agreement to provide this information is referred to as the (the “**Continuing Disclosure Undertaking**”). Such information will be provided to (i) the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System and (ii) any entity designated by the State of Illinois as a state information depository for purposes of Rule 15c2-12. A summary of the Continuing Disclosure Undertaking is included as Appendix E to this Official Statement. The Continuing Disclosure Undertaking may be enforced by any beneficial or registered owner of the Series 2009C Bonds, but the Authority’s failure to comply with this undertaking will not be a default under the Indenture.

In addition, in the Series 2009C Supplemental Indenture, the Authority has covenanted to provide certain information to the GSEs for each period after and including the calendar quarter ending September 30, 2010. Such information includes principally (i) audited financial statements of the Authority for each Fiscal Year, including in supplemental schedules financial statements specific to the Indenture, (ii) financial statements of the Authority for interim portions of a Fiscal Year if produced, (iii) financial statements specific to the Indenture for each of the first three calendar quarters of each Fiscal Year, (iv) a compliance certificate in a specified form, (v) specified quarterly reports, (vi) copies of cash flow certificates, (vii) certificates required under the Series 2009C Supplemental Indenture for the withdrawal of cash from the Indenture, (viii) copies of rating agency presentations and ratings pertaining to the Indenture or to the Authority as a whole, (ix) copies of disclosure documents with respect to obligations outstanding under the Indenture, and (x) copies of publicly available information disclosures concerning the financial condition or performance of the Authority.

The Authority also agreed in the Series 2009C Supplemental Indenture to provide the GSEs with notice of certain events, including (i) events which would require the filing of an “events notice” under Rule 15c2-12 as that Rule is amended, restated or replaced from time to time, (ii) any “event of default” or event which, with the passage of time or the giving of notice, or both, would become such an “event of default” under the Indenture or certain related documents, (iii) resignation or removal of the Trustee, or any failure by the Trustee to perform its duties under the Indenture or any related document, (iv) demands for payments or for the posting of collateral under a hedging arrangement, (v) any litigation, administrative or other proceeding or other development that would have a material and adverse effect on the ability of the Authority to perform its duties and obligations under the Indenture or any related document, (vi) a ratings downgrade, or notice of a negative outlook applicable to existing ratings, relating to the Authority as a whole or to the Bonds, (vii) certain adverse changes with respect to any provider of a guaranteed investment contract or hedge relating to the Indenture or to the Authority as a whole, (viii) supplements or amendments to the Indenture, (ix) unscheduled draws on a debt service reserve of credit enhancement for any of the Bonds, (x) defeasance of any Bonds, and (xi) release, sale or substitution of any property securing any of the Bonds.

#### **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 700, 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 Series 2009C Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**

---

Executive Director

## Appendix A

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Illinois Housing Development Authority  
Chicago, Illinois

\$27,860,000  
Illinois Housing Development Authority  
Multifamily Initiative Bonds,  
Series 2009C

We have previously acted as Bond Counsel in connection with the issuance by the Illinois Housing Development Authority (the “Authority”) of \$184,080,000 aggregate principal amount of its Multifamily Initiative Bonds, Series 2009A (the “Series 2009A Bonds”). The Series 2009A Bonds were authorized to be issued pursuant to the Illinois Housing Development Authority Act, 20 ILCS 3805/1 et seq., as amended (the “Act”), and under and pursuant to the Trust Indenture, dated as of December 1, 2009 (the “Trust Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), resolutions of the Authority authorizing the issuance and sale of bonds to finance multifamily mortgage loans, and the Supplemental Indenture dated as of December 1, 2009 (the “Series 2009A Supplemental Indenture”), between the Authority and the Trustee.

It is now deemed necessary and advisable to supplement the Trust Indenture by the Series 2009C Supplemental Indenture, dated as of December 1, 2010 (the “Series 2009C Supplemental Indenture”), by and between the Authority and the Trustee, to provide for and establish a Release Date (as defined below) with respect to a portion of the proceeds of the Series 2009A Bonds currently held in escrow and to provide for the application of such released proceeds to the funding of mortgage loans, all as hereinafter provided. In accordance with and subject to the terms, conditions and limitations established in the Trust Indenture and the Series 2009C Supplemental Indenture, a portion of the proceeds of the Series 2009A Bonds in the principal amount of \$27,860,000 shall be released from escrow on the date hereof (the “Release Date”), and the portion of the Series 2009A Bonds relating thereto shall be redesignated “Series 2009C” (the “Series 2009C Bonds” or the “Bonds”) and deemed reissued for federal income tax purposes as of the date hereof.

The Trust Indenture, the Series 2009A Supplemental Indenture and the Series 2009C Supplemental Indenture are collectively referred to herein as the “Indenture.”

The Bonds are equally and ratably secured by the Trust Indenture with all other bonds issued thereunder unless otherwise specified in a supplemental indenture or by the Authority pursuant to the provisions thereof.

The Bonds are dated, mature in the years, in the respective principal amounts and bear interest at the rates per annum (subject to conversion) set forth in the Series 2009C Supplemental Indenture. The Bonds are also subject to redemption prior to maturity upon the terms and conditions and at the redemption prices provided in the Indenture.

The Internal Revenue Code of 1986 (the "Code") establishes certain continuing requirements which must be met in order that interest on the Bonds not be included in gross income of the owners thereof for federal income tax purposes. These include requirements as to the use and investment of proceeds of the Bonds, the payment of certain amounts to the United States and the use and occupancy of the projects financed by the Bonds. In the Indenture, various tax certificates and Tax Regulatory Agreements, each dated as of December 1, 2010 (collectively, the "Tax Regulatory Agreements"), among the Authority, the Trustee and the various borrowers (collectively, the "Borrowers"), the Authority and the Borrower have made various covenants with respect to these requirements. Failure to comply with certain of such covenants could cause interest on the Bonds to be included in gross income of the owners thereof for federal income tax purposes, retroactively to the date of issuance of the Bonds.

In rendering this opinion we have reviewed the Indenture and certain other documents, certificates and other materials delivered in connection with the issuance of the Bonds.

Based on the foregoing it is our opinion that:

(a) The Authority is a legally existing body politic and corporate of the State and has the right and power under the Act to adopt the Indenture and to authorize, issue and deliver the Bonds.

(b) The Indenture has been duly and lawfully authorized and executed by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Trust Estate (except the Rebate Fund), subject only to the provisions of the Indenture permitting the application of amounts held thereunder for the purposes (including particular series or subseries of Bonds) and on the terms and conditions set forth in the Indenture.

(c) The Bonds have been duly authorized, executed, issued and delivered by the Authority in accordance with the Act and the Indenture and constitute valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Act and the Indenture. The Bonds are special limited obligations, and not general obligations, of the Authority payable solely from the revenues, assets or moneys pledged therefor under the Indenture, enforceable in accordance with their terms and the terms of the Indenture, and entitled to the benefit of the Indenture and the Act. The Authority has no taxing power. The Bonds are not a debt of the State of Illinois and the State of Illinois is not liable on the Series Bonds. The Bonds are not subject to Section 26.1 of the Act.

(d) Under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income of their owners for federal income tax purposes. We are further of the opinion that interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax. If there is continuing compliance by the Authority and the Borrower with their respective covenants described above as contained in the Indenture and the Tax Regulatory Agreements, we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. No opinion is expressed, however, as to the exclusion from gross income of the owners of the Bonds for federal income tax purposes of interest on any Bond for any period during which such Bond is held by a person who is a “substantial user” of the Development or by any person considered to be related to such person within the meaning of the Code. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

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

The opinions we have expressed herein as to the treatment of the Bonds or the interest borne thereon for federal income tax purposes and for state tax purposes are based upon statutes, regulations, and court decisions in effect on the date hereof. We undertake no obligation to update the contents of this opinion on any future date. Each purchaser of the Bonds should consult his or her tax advisor regarding any changes in the status of any pending or proposed legislation.

The rights of the owners of the Bonds, and the enforceability of the Bonds and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights. Enforcement of provisions of the Bonds and the Indenture by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law that may occur after that date.

Very truly yours,

## Appendix B

### DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS EXPECTED TO BE FINANCED BY THE SERIES 2009C BONDS

| <u>Name</u>                   | <u>Location</u>  | <u>Owner</u>                                 | <u>No.<br/>of<br/>Units</u> | <u>Credit<br/>Enhancement</u> | <u>Term of<br/>Mortgage<br/>Loan<br/>(Years)</u> | <u>Interest<br/>Rate(s)</u> | <u>Expected<br/>Date of<br/>Construction<br/>Completion</u> | <u>Mortgage<br/>Loan<br/>Amount</u> |
|-------------------------------|--|--|-----------------------------|-------------------------------|--|-----------------------------|---|-------------------------------------|
| The Homestead at Morton Grove | 6406 Lincoln Avenue Morton Grove, IL 60053   | Homestead of Morton Grove, L.L.C.            | 82                          | FHA Risk-Sharing Program      | 40   | 3.70%                       | 6/30/2012   | \$14,480,000                        |
| O'Keefe Apartments            | 7150 S. Euclid, 6900 S. Clyde, 2049-2059 E. 69 <sup>th</sup> Street, 7000 S. Clyde, 2049-2059 E. 70 <sup>th</sup> Street, 7152-7156 South Bennett Ave., 1834-42 E. 72 <sup>nd</sup> Street, 7001 S. Paxton and 2201-2205 E. 70 <sup>th</sup> Street, Chicago, IL 60649 | O'Keefe Mulford, LLC                         | 67                          | FHA Risk-Sharing Program      | 16   | 4.35%                       | 9/30/2011   | \$2,125,000                         |
| Merrill Court Apartments      | 7201-15 S. Merrill Ave., Chicago, IL 60649   | Merrill Court Apartments Limited Partnership | 40                          | FHA Risk-Sharing Program      | 30   | 3.60%                       | 3/31/2012   | \$1,685,000                         |
| Williamsburg Apartments       | 6900 West Main Street, Belleville, IL 62223, 515 South Jackson Street, Belleville, IL 62220 and 250 Marcella Drive, Swansea, IL 62226  | Williamsburg Apartments, L.P.                | 88                          | FHA Risk-Sharing Program      | 30   | 4.35%                       | 1/31/2012   | \$3,841,000                         |
| Town and Country Apartments   | 2562 Parkview Drive, Granite City, IL 62040  | Town and Country Preservation Associates, LP | 121                         | FHA Risk-Sharing Program      | 25   | 4.35%                       | 12/31/2011  | \$5,100,000                         |

## Appendix C

### DESCRIPTION OF MORTGAGE LOANS AND DEVELOPMENTS EXPECTED TO BE FINANCED BY THE SERIES 2009B BONDS

| <u>Name</u>                                 | <u>Location</u>  | <u>Owner</u>                                 | <u>No.<br/>of<br/>Units</u> | <u>Credit<br/>Enhancement</u> | <u>Term of<br/>Mortgage<br/>Loan<br/>(Years)</u> | <u>Interest<br/>Rate(s)</u> | <u>Expected<br/>Date of<br/>Construction<br/>Completion</u> | <u>Mortgage<br/>Loan<br/>Amount</u> |
|---|--|--|-----------------------------|-------------------------------|--|-----------------------------|---|-------------------------------------|
| Liberty Lakes Apartments                    | 201 S. Buesching<br>Lake Zurich, IL 60047  | Standard Liberty<br>Venture LP               | 70                          | FHA Risk-<br>Sharing Program  | 40   | 4.35%                       | 11/30/2011  | \$7,372,000                         |
| Lilac Apartments                            | 3 Lilac Drive<br>Fox Lake, IL 60020  | Standard Lilac<br>Venture LP                 | 105                         | FHA Risk-<br>Sharing Program  | 40   | 4.35%                       | 11/30/2011  | \$4,350,000                         |
| Moline Enterprise Live-<br>Work Lofts       | 1809-1829 River Drive<br>Moline, IL 61265  | Moline Enterprise<br>Live-Work Lofts,<br>LLC | 69                          | FHA Risk-<br>Sharing Program  | 30   | 4.35%                       | 11/30/2012  | \$5,667,000                         |
| Park Apartments                             | 202-30 E. Garfield Blvd.,<br>5447 S. Indiana Ave.,<br>5446-50 S. Prairie Ave.,<br>5730 S. Calumet Ave.,<br>Chicago IL 60615, 60637 | Parkr, LLC                                   | 120                         | FHA Risk-<br>Sharing Program  | 20   | 4.35%                       | 11/30/2011  | \$6,600,000                         |
| River to River of Anna<br>Supportive Living | 151 Denny Drive<br>Anna, IL 62906  | Anna Supportive<br>Living, L.P.              | 50                          | FHA Risk-<br>Sharing Program  | 35   | 4.35%                       | 5/31/2012   | \$5,700,000                         |
| Zurich Meadows<br>Apartments                | 250 Mohawk Trail<br>Lake Zurich, IL 60047  | Zurich Meadows<br>Senior Apartments,<br>LP   | 95                          | FHA Risk-<br>Sharing Program  | 30   | 4.35%                       | 5/31/2012   | \$4,200,000                         |

## Appendix D

### MORTGAGE INSURANCE PROGRAMS

#### THE FHA RISK-SHARING PROGRAM

The following is a brief description of the multifamily mortgage insurance program administered by HUD, acting through FHA, pursuant to Section 542(c) of the Housing and Community Development Act of 1992, as amended (the “**Risk-Sharing Act**”), of Title II of the National Housing Act, as amended (the “**National Housing Act**”), and is qualified in its entirety by reference to the National Housing Act and the Risk-Sharing Act and the regulations thereunder.

The Risk-Sharing Act authorizes the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies (“**HFA**s”) to enable those HFAs to underwrite and process loans for which HUD, acting through FHA, will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the “**Regulations**”) pursuant to the National Housing Act. The FHA Risk-Sharing Program established by the Risk-Sharing Act allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, including reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect. The FHA Risk-Sharing Program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA.

This mortgage insurance program requires that an interested HFA first be approved as a qualified HFA. Upon notification of approval as a qualified HFA, the HFA must execute a risk-sharing agreement with the Commissioner of FHA. The risk-sharing agreement must state the agreed upon risk apportionment between HUD and the HFA, the number of units allocated to the HFA, a description of the HFA’s standards and procedures for underwriting and servicing loans and a list of HFA certifications designed to assure its proper performance.

Projects eligible to be insured under the FHA Risk-Sharing Program include qualified new construction projects, substantial rehabilitation projects, existing projects, projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program. Risk-sharing projects must be maintained as “affordable housing,” which means that either (1) 20% or more of the units are both rent-restricted (as defined below) and occupied by families whose income is 50% or less of the area median income as determined by HUD, with adjustments to income based on household size, or (2) 40% or more of the units are both rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments to income based on household size. A residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30% of the imputed income limitation applicable to the unit as published from time to time by HUD.

Pursuant to Section 542(c) of the Risk-Sharing Act, the Authority and HUD have entered into a risk-sharing agreement, dated as of June 20, 1994 (the “**Risk-Sharing Agreement**”) under which the Authority has been granted Level 1 status, HUD has agreed to provide federal insurance on certain mortgage loans made by the Authority, and the Authority has agreed to reimburse HUD for 50 percent to 90 percent (as negotiated for each specific mortgage loan) of the payments made by HUD on any of the mortgage loans insured under the federal insurance. However, any failure by the Authority to reimburse HUD pursuant to the Risk-Sharing Agreement will not affect HUD’s obligation to pay the insurance claim as described below. Claims made by the Authority under the federal insurance program will be made at the times and in the manner described below.

The Authority will authorize the use of the FHA Risk-Sharing Program in connection with new Mortgage Loans financed by the Series 2009B Bonds on a case-by-case basis.

FHA Insurance under the FHA Risk-Sharing Program with respect to any Mortgage Loan may be terminated upon the occurrence of certain events, including the following: (1) the corresponding mortgage is paid in full; (2) the Authority acquires mortgaged property and notifies the Commissioner that it will not file an insurance claim; (3) a party other than the Authority acquires property at a foreclosure sale; (4) the Authority notifies the Commissioner of a voluntary termination of insurance; (5) the Authority or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (6) the receipt by the Commissioner of an application for final claims settlement by the Authority; or (7) the Authority acquires the mortgaged property and fails to make an initial claim.

During its participation in the program, the HFA must take responsibility for certain functions, including specified functions relating to the Affirmative Fair Housing Marketing Plan, labor standards, insurance of advances, cost certification, and lead-based paint requirements. A mortgagor must certify to the HFA that it is in compliance with certain enumerated discrimination and civil rights statutes and executive orders. HUD has specifically retained certain functions, including monitoring compliance with the Davis-Bacon Act, environmental laws, enforcement of certain fair housing and equal opportunity laws and other program criteria. Certain HUD requirements may only be applicable when construction advances are insured.

Upon completion of construction, presentation of a closing docket, including an executed regulatory agreement between the HFA and the mortgagor, and certifications required by the Regulations, FHA issues a final endorsement of the mortgage note for the costs related to the project which have been certified by an independent certified public accountant and have been approved by the Authority. Although the Authority has been given authority to approve cost certifications by a mortgagor, HUD has the authority, in its sole discretion, at any time prior to and including final endorsement, to adjust the amount of mortgage insurance.

The Regulations indicate that a default under an FHA-insured mortgage has occurred (which default causes the HFA to become eligible for insurance benefits) when (1) the mortgagor fails to make any payment due under the mortgage, or (2) the mortgagor fails to perform any other mortgage covenant (which include covenants in the related regulatory agreement, which is incorporated by reference in the applicable mortgage), the HFA has accelerated the debt and the owner has failed to pay the full amount due. If the default continues to exist at the end of the 30-

day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after such grace period and monthly thereafter, unless waived by HUD, until such default has been cured or the Authority has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Authority must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default. Such claim may be made as early as the first day of the month following the month for which a payment was missed. Upon request of the Authority, HUD may extend, up to 180 days from the date of default, the deadline for filing a claim. In those cases where the Authority certifies that the project owner is in the process of transacting a bond refunding, refinancing the mortgage, or changing the ownership for the purpose of curing the default and bringing the mortgage current, HUD may extend the deadline for filing a claim beyond 180 days but not exceed 360 days from the date of default.

The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. The mortgage note interest component of the initial claim amount is subject to curtailment as described below. HUD must make all claim payments in cash. The initial claim payment to the Authority is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessed under the Regulations. **The Authority must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms securing the mortgage within 30 days of the initial claim payment.** Any excess funds resulting from such retirement or repayment must be returned to HUD within 30 days of the retirement.

In determining the mortgage note interest component of the initial claim amount, if the Authority fails to meet any of the requirements of the Regulations within the specified time (including any granted extension of time), HUD shall curtail the accrual of mortgage note interest by the number of days by which the required action was late. The Regulations also indicate that losses sustained as a consequence of the (sole) negligence of the Authority shall be the sole obligation of the Authority, notwithstanding the risk apportionment otherwise agreed to by HUD and the Authority.

Within 30 days of the initial claim payment, the Authority must also issue to HUD a debenture in a form approved by HUD (each, a “**Debenture**”), payable in five years unless extended, in an amount equal to the amount of the initial claim payment. Each Debenture must be supported by the full faith and credit of the Authority. Each Debenture will bear interest at HUD’s published debenture rate, and interest will be payable annually. The Risk-Sharing Act contemplates that during the five year term of each Debenture, the Authority would work toward curing the default, foreclosure or resale of the related development. On or before the due date of each Debenture, the total loss to be shared by the Authority and HUD shall be computed pursuant to the Risk-Sharing Agreement.

The Regulations provide that the HFA must file an application for final claim settlement not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed in lieu of foreclosure, or (2) expiration of the term of the Debenture. The total loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the mortgage note and the risk-sharing agreement.

The Regulations indicate that if the initial claim amount is less than HUD's share of the loss, HUD shall make a final claim payment to the HFA that is equal to the difference between HUD's share of the loss and the initial claim amount and shall return the related Debenture to the HFA for cancellation. If the initial claim amount is more than HUD's share of the loss, the HFA shall, within 30 days of notification of the amount due, remit to HUD an amount equal to the difference between the initial claim amount and HUD's share of the loss. The related Debenture will be considered redeemed upon receipt of the cash payment.

Information on project management and servicing will be required after endorsement. Additionally, the HFA must submit semiannual reports, annual financial statements and must maintain its eligibility by continued compliance with the risk-sharing agreement, the regulatory agreement, and all the requirements for initial program eligibility.

## Appendix E

### SUMMARY OF THE AUTHORITY'S CONTINUING DISCLOSURE UNDERTAKING

Undertaking. The Authority shall make all required filings and reports so that all requirements of Rule 15c2-12(b)(5) (the “**Rule**”) of the United States Securities and Exchange Commission (the “**SEC**”), as amended from time to time, are met with respect to the Series 2009C Bonds.

Annual Financial Information. Each year the Authority shall provide annual financial information concerning the Series 2009C Bonds to the Municipal Securities Rulemaking Board (the “**MSRB**”) via its Electronic Municipal Market Access (“**EMMA**”) System. 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, 2010. Copies of the annual financial information shall also be made available to any beneficial owner of Series 2009C Bonds upon written 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 may include any or all information by incorporating, by specific reference, other documents which have been provided to the MSRB. If the incorporated information is in an Official Statement, it must be available from the MSRB. The annual financial information shall include a notice of any change in the Authority's fiscal year.

Reporting Significant Events. Upon the occurrence of any of the following events with respect to the Series 2009C Bonds, the Authority shall report the event to the MSRB:

- i. principal and interest payment delinquencies;
- ii. unscheduled draws on debt service reserves reflecting financial difficulties;
- iii. unscheduled draws on credit enhancements reflecting financial difficulties;
- iv. substitution of credit or liquidity providers or their failure to perform;
- v. adverse tax opinions or events affecting the tax-exempt status of the Series 2009C Bonds;
- vi. defeasances;
- vii. rating changes;
- viii. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Series 2009C Bonds, or other material events affecting the tax status of the Series 2009C Bonds;

- ix. tender offers; and
- x. bankruptcy, insolvency, receivership or similar event of the obligated person.

Upon the occurrence of any of the following events with respect to the Series 2009C Bonds, if material, the Authority shall report the event to the MSRB:

- i. non-payment related defaults;
- ii. modifications to rights of Owners of the Series 2009C Bonds;
- iii. bond calls;
- iv. release, substitution, or sale of property securing repayment of the Series 2009C Bonds;
- v. the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, or entry into or termination of a definitive agreement relating to the foregoing; and
- vi. Appointment of a successor or additional trustee or a change in name of the trustee.

If notices are required to be filed, filing shall be made within ten (10) business days after the occurrence of the event giving rise to the requirement to file.

**The Authority will give a copy of each such report to the Trustee. The Authority will give notice in a timely manner to the Trustee and to the MSRB of any failure timely to provide the annual financial information as provided in this Summary.**

Enforcement. The undertaking of the Authority described in this summary shall be solely for the benefit of the beneficial owners of the Series 2009C Bonds from time to time, and shall create no right in anyone else. It may be enforced by any beneficial owner of Series 2009C Bonds. The sole remedy with respect to the Authority's compliance with its undertaking described in this summary shall be to require compliance. 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.

Termination. The obligation of the Authority described in this summary shall terminate if the Authority shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2009C Bonds. The Authority shall give notice of termination in a timely manner to the MSRB.

Amendment and Waiver. The Authority may amend the undertakings described in this summary, and any provision of the undertaking may be waived, if: (i) the amendment or waiver is being made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type

of business conducted; (ii) the undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2009C Bonds, as determined by a party unaffiliated with the Authority (such as bond counsel) at the time of the amendment. Any such amendment shall be described in the next annual financial information.

**Appendix F**

**THE ORIGINAL OFFICIAL STATEMENT**

**NEW ISSUE - BOOK ENTRY ONLY**

**RATINGS: See "RATINGS" herein.**

*In the opinion of Bond Counsel, interest on the Series 2009A Bonds is includible in the gross income of the recipient thereof for federal income tax purposes. Under the Illinois Housing Development Act (the "Act"), in its present form, interest on the Series 2009A Bonds is exempt from Illinois income tax. See "TAX MATTERS" herein.*

**\$184,080,000**

**ILLINOIS HOUSING DEVELOPMENT AUTHORITY  
Multifamily Initiative Bonds, Series 2009A**

**Dated: December 30, 2009**

**Price: 100%**

**Due: September 1, 2051**

The Illinois Housing Development Authority Multifamily Initiative Bonds, Series 2009A (the "Series 2009A Bonds") are issuable only in registered form. The Depository Trust Company ("DTC" or the "Depository"), New York, New York, will act as securities depository of the Series 2009A Bonds and its nominee will be the registered owner of the Series 2009A Bonds. See "BOOK-ENTRY ONLY SYSTEM."

The Series 2009A Bonds are issued pursuant to the Trust Indenture dated as of December 1, 2009 (the "Trust Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as trustee (the "Trustee") and the Series 2009A Supplemental Indenture, dated as of December 1, 2009 (the "Series 2009A Supplemental Indenture", and collectively with the Trust Indenture, the "Indenture"), between the Authority and the Trustee. Principal of and premium, if any, and interest on the Series 2009A Bonds will be paid by the Trustee as Paying Agent pursuant to the Series 2009A Supplemental Indenture.

The Series 2009A Bonds will initially bear interest at a Short-Term Rate, as set forth herein, accruing on and after January 12, 2010 until Conversion of any such Series 2009A Bonds; provided, however, that any Series 2009A Bond which is a Variable Rate Construction Program Bond shall bear interest at the Construction Program Bond Variable Rate from and after the Release Date until Conversion, all as set forth herein. After Conversion, interest on the Series 2009A Bonds shall bear interest at a Permanent Rate, as set forth herein, payable semi-annually on March 1 and September 1 of each year. See "THE SERIES 2009A BONDS."

**The Series 2009A Bonds are subject to redemption prior to maturity, including optional and special redemption, at the prices set forth herein under certain circumstances, as more fully described herein.**

**The interest rate on all or a portion of the Series 2009A Bonds is subject to Conversion at the times and in the manner described herein. See "THE SERIES 2009A BONDS."**

**This Official Statement is not intended to describe the terms of any Series 2009A Bonds after a Release Date (described herein) pertaining to such Series 2009A Bonds and is intended only to provide disclosure with respect to the Series 2009A Bonds until the respective Release Date. Disclosure with respect to the Series 2009A Bonds subsequent to a Release Date will be provided in offering materials distributed in conjunction with one or more Release Dates for the proceeds of such Series 2009A Bonds.**

The Series 2009A Bonds are being issued to make funds available, together with certain other available moneys, to (a) fund Mortgage Loans in order to acquire, construct or rehabilitate multifamily residential housing located in the State of Illinois (the "State"), all as described herein, including capitalized interest, if any, (b) make a deposit to the Reserve Fund equal to the amount of the Reserve Requirement, and (c) pay certain costs incurred in connection with the issuance of the Series 2009A Bonds. See "SOURCES AND USES OF FUNDS."

The Series 2009A Bonds along with any other Bonds issued under the Indenture are secured by a pledge of the Trust Estate established under the Indenture, including revenues, assets or moneys held under the Indenture and the related Supplemental Indentures (other than the Rebate Fund, if any), in each case solely to the extent such items are subject to the pledge, assignment, lien and security interest as provided in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS."

The Series 2009A Bonds are limited obligations of the Authority. The Series 2009A Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The Series 2009A Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State but will be payable solely from the revenues or assets of the Authority pledged therefor. The State is not liable on the Series 2009A Bonds, and the Series 2009A Bonds are not a debt of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2009A Bonds.

**THE SERIES 2009A BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY AND 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 THE RELEVANT PROVISIONS OF SECTION 26.1 OF THE ACT, AS AMENDED, WHICH REQUIRE 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 SERIES 2009A BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS."**

*The Series 2009A Bonds are offered when, as and if issued and subject to the approval of legality by Kutak Rock LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Authority by its General Counsel, Mary R. Kenney, Esq., and by its special counsel, Mayer Brown LLP, Chicago, Illinois. See "LEGAL MATTERS."*

The date of this Official Statement is December 18, 2009.

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. 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 Series 2009A 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

| <u>PAGE</u>  | <u>PAGE</u> |
|--|-------------|
| INTRODUCTION .....                                   | 1           |
| SOURCES AND USES OF FUNDS .....                      | 3           |
| THE AUTHORITY .....                                  | 4           |
| Powers and Duties .....                              | 4           |
| Multifamily Housing Experience .....                 | 4           |
| Membership .....                                     | 5           |
| Management .....                                     | 5           |
| SECURITY AND SOURCES OF PAYMENT FOR THE              |             |
| SERIES 2009A BONDS .....                             | 7           |
| General .....  | 7           |
| Restrictions on Escrowed Proceeds .....              | 8           |
| Sinking Fund Installment Payments .....              | 9           |
| Reserve Fund .....                                   | 9           |
| Additional Bonds .....                               | 10          |
| Enforceability of Remedies .....                     | 11          |
| Special GSE Rights .....                             | 11          |
| THE SERIES 2009A BONDS .....                         | 11          |
| General .....  | 11          |
| Interest—General .....                               | 12          |
| Release and Conversion .....                         | 12          |
| Release and Conversion Procedures .....              | 16          |
| Redemption Provisions .....                          | 17          |
| Certain Covenants of the Authority .....             | 20          |
| BOOK-ENTRY ONLY SYSTEM .....                         | 22          |
| MULTIFAMILY INITIATIVE MORTGAGE LOAN                 |             |
| PROGRAM .....  | 25          |
| OTHER AUTHORITY PROGRAMS .....                       | 25          |
| Single-Family Mortgage Purchase Bond                 |             |
| Programs .....                                       | 26          |
| Other Authorized Activities .....                    | 27          |
| SUMMARY OF CERTAIN PROVISIONS OF THE                 |             |
| INDENTURE .....                                      | 29          |
| Certain Definitions .....                            | 29          |
| Indenture as Contract with Bondowners .....          | 32          |
| Pledge of the Indenture .....                        | 32          |
| Authorization and Issuance of Bonds .....            | 32          |
| Cash Equivalents .....                               | 33          |
| Establishment of Funds and Accounts .....            | 33          |
| Program Fund .....                                   | 33          |
| Revenue Fund .....                                   | 34          |
| Debt Service Fund .....                              | 35          |
| Reserve Fund .....                                   | 35          |
| Rebate Fund .....                                    | 36          |
| Special Program Fund .....                           | 36          |
| Depositories of Moneys and Investment of Funds ..... | 36          |
| Issuance of Additional Obligations .....             | 37          |
| Supplemental Indentures .....                        | 37          |
| Events of Default .....                              | 39          |
| Remedies .....                                       | 39          |
| Application Moneys After Default .....               | 39          |
| Discharge of Lien .....                              | 40          |
| TAX MATTERS .....                                    | 42          |
| General .....  | 42          |
| Treasury Circular 230 Disclosure .....               | 42          |
| Illinois Taxes .....                                 | 42          |
| Changes in Federal and State Tax Law .....           | 42          |
| LEGAL MATTERS .....                                  | 43          |
| LITIGATION .....                                     | 43          |
| RATINGS .....  | 43          |
| FINANCIAL MANAGEMENT POLICY .....                    | 44          |
| CONTINUING DISCLOSURE .....                          | 44          |
| MISCELLANEOUS .....                                  | 45          |
| APPENDIX A PROPOSED FORM OF OPINION OF               |             |
| BOND COUNSEL .....                                   | A-1         |
| APPENDIX B SUMMARY OF THE CONTINUING                 |             |
| DISCLOSURE UNDERTAKING                               |             |
| OF THE AUTHORITY .....                               | B-1         |

THE SERIES 2009A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RESOLUTIONS AND INDENTURES RELATING TO THE SERIES 2009A BONDS HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1929, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2009A BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE SERIES 2009A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THE SERIES 2009A 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.



**\$184,080,000**  
**ILLINOIS HOUSING DEVELOPMENT AUTHORITY**  
**Multifamily Initiative Bonds, Series 2009A**

**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 \$184,080,000 aggregate principal amount of its Multifamily Initiative Bonds, Series 2009A (the “Series 2009A Bonds”). The Series 2009A Bonds are being issued by the Authority pursuant to the Illinois Housing Development Act, 20 ILCS 3805/1 *et seq.*, as amended (the “Act”).

**This Official Statement is not intended to describe the terms of any Series 2009A Bonds after a Release Date (described herein) pertaining to such Series 2009A Bonds and is intended only to provide disclosure with respect to the Series 2009A Bonds until the respective Release Date. Disclosure with respect to the Series 2009A Bonds subsequent to a Release Date will be provided in offering materials distributed in conjunction with one or more Release Dates for the proceeds of such Series 2009A Bonds.**

*This Official Statement contains “forward looking statements” within the meaning of the federal securities laws. These forward looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.*

The Series 2009A Bonds are being issued under the provisions of (i) the Trust Indenture dated as of December 1, 2009, (the “Trust Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as trustee (the “Trustee”); (ii) the Series 2009A Supplemental Indenture, dated as of December 1, 2009 (the “Series 2009A Supplemental Indenture”, and collectively with the Trust Indenture, the “Indenture”) between the Authority and the Trustee; and (iii) Resolution 2009-IHDA-158 of the Authority adopted on November 20, 2009 (the “Bond Resolution”), as amended by Resolution 2009-IHDA-178 of the Authority adopted on December 18, 2009 (the “Amendatory Resolution”), each as supplemented by the determination of any two of the Chairman (or, in the absence of the Chairman, the Vice-Chairman), Treasurer or Executive Director (or, in the absence of the Executive Director, the Deputy Director) of the Authority with respect to the Series 2009A Bonds (the “Determination” and together with the Bond Resolution and the Amendatory Resolution, the “Resolution”). 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”.

Under the Act, the Authority is authorized to finance mortgage loans for multifamily housing for persons and families of low and moderate income in the State of Illinois (the “State”). Under the Indenture, the Authority is authorized to issue bonds to provide funds for the making of multifamily mortgage loans (the “Mortgage Loans”) to housing sponsors (the “Developers”) eligible under the Act for the financing of housing developments (the

“Developments”), including making deposits in funds and accounts under the Indenture, all as specified in one or more Determinations. Proceeds of the Series 2009A Bonds will be used, together with certain other available moneys, to (a) fund Mortgage Loans in order to acquire, construct or rehabilitate multifamily residential housing located in the State, all as described herein, including capitalized interest, if any, (b) make a deposit to the Reserve Fund equal to the amount of the Reserve Requirement, and (c) pay certain costs incurred in connection with the issuance of the Series 2009A Bonds. See “SOURCES AND USES OF FUNDS.”

The Series 2009A Bonds are the first obligations issued by the Authority under the Trust Indenture. Additional Series of bonds or notes are expected to be issued by the Authority, which will be on parity with the Series 2009A Bonds and other series of bonds outstanding under the Trust Indenture, provided that each additional Series is authorized by a supplemental indenture and determination adopted in accordance with and under the provisions of the Trust Indenture, the Resolution and the Act. The Series 2009A Bonds and additional bonds issuable under the Trust Indenture are hereinafter sometimes collectively called the “Bonds.”

The proceeds of the Series 2009A Bonds, together with certain funds of the Authority, will be deposited in the Series 2009A Escrow Account (the “Series 2009A Escrow Account”) established in the Program Fund (as defined herein). The proceeds shall be held in the Series 2009A Escrow Account until such date or dates in calendar year 2010 when the Authority elects to establish a Release Date (as defined herein). At such time, all or a portion of the proceeds of the Series 2009A Bonds will be transferred from the Series 2009A Escrow Account to the Series 2009A Program Sub-Account under the Program Fund and used to make or acquire Multifamily Mortgage Loans.

All Bonds issued under the Indenture, including the Series 2009A Bonds, are secured, to the extent and as provided in such Indenture, by the Trust Estate. The Trust Estate includes all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Authority), and other assets from time to time held by the Trustee under and subject to the terms of the Trust Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any, with respect to Subsequent Series) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, or by anyone in its behalf or with its written consent, to the Trustee.

The Series 2009A Bonds are special limited obligations of the Authority and are payable solely from the Authority’s revenues, assets or moneys pledged therefor under the Indenture. The Series 2009A Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The Series 2009A Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State but will be payable solely from the revenues or assets of the Authority pledged therefor. The State is not liable on the Series 2009A Bonds, and the Series 2009A Bonds are not a debt of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2009A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS.”

**THE SERIES 2009A BONDS ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY AND 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 THE RELEVANT PROVISIONS OF SECTION 26.1 OF THE ACT, AS AMENDED, WHICH REQUIRE 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 SERIES 2009A BONDS. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A 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.*

**SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds (net of accrued interest) in connection with the issuance of the Series 2009A Bonds are as follows:

**Sources**

|                                      |                      |
|--------------------------------------|----------------------|
| Series 2009A Bonds Proceeds          | \$184,080,000        |
| Other Authority Sources <sup>1</sup> | <u>454,120</u>       |
| Total Sources                        | <u>\$184,534,120</u> |

**Uses**

|   |                      |
|---|----------------------|
| Deposit to Series 2009A Escrow Account<br>of the Program Fund | \$184,080,000        |
| Deposit to the Reserve Fund                                   | -0-                  |
| Authorized GSE fees and other expenses                        | 236,580              |
| Costs of Issuance   | <u>217,540</u>       |
| Total Uses  | <u>\$184,534,120</u> |

---

<sup>1</sup> Includes the amount necessary to fund the deposit of the Shortfall Amount. See “THE SERIES 2009A BONDS—Release and Conversion.”

## **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. See “OTHER AUTHORITY PROGRAMS—Other Multifamily Mortgage Loan Programs.”

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, 2009, the Authority had debt outstanding in the amount of \$1,802,865,982, which consisted of general obligation debt, special limited obligation debt and conduit debt. The conduit debt, which is special limited obligation debt, accounts for \$368,647,130 of the total as of that date.

### **Multifamily Housing Experience**

The Authority has significant experience in the underwriting and servicing of multifamily mortgage loans. In its more than 30 years of operation, the Authority has financed over 200 multifamily developments throughout the State under several separate multifamily bond and loan programs.

The Authority is a U.S. Federal Housing Administration (“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, 2009, the Authority’s Multi-Family Programs and Technical Services Departments employed approximately 47 persons with a variety of skills in multifamily loan underwriting, market research, construction management and subsidy contract administration, and the Authority’s Asset Management Services Department employed approximately 30 persons in the 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 Rosenman LLP

ROBERT BARKER, Vice-Chairman – President, Barker Brothers, Inc.

MARY KANE, Secretary – Senior Vice President, Stifel, Nicolaus & Company, Inc.

KAREN DAVIS, Treasurer – Manager, Regions Bank, NA

FLOYD GARDNER III, Member – Deputy Director, Single Family Programs, NHS  
Redevelopment Corporation

MARK KOCHAN, Member – Attorney, Kochan & Kochan

GEORGE L. LAMPROS, Member – President and Managing Partner, Business Growth  
Innovations, Inc.

There are currently two vacancies in the Authority’s membership.

## **Management**

The Authority employs a staff of approximately 210 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.

GLORIA L. MATERRE, Executive Director, was appointed by the Authority’s Members on September 18, 2009. Ms. Materre served as Deputy Chief of Staff under Governor Pat Quinn, playing an instrumental role in housing, legislative matters, economic and business development and community stabilization. In October 2009, she became chair of the Illinois Task Force on Minority Business Development. Ms. Materre holds a bachelor’s degree in journalism from the University of Wisconsin-Madison, and a law degree from the University of Illinois at Urbana-Champaign.

PHILLIP CULPEPPER, Deputy Executive Director and Chief of Staff, joined the Authority in October 2009. He brings extensive experience to the Authority in the areas of public finance, bond fund accounting, strategic planning and revenue forecasting. As the Director of Debt Management for the State of Illinois, Mr. Culpepper oversaw more than \$7 billion in public finance transactions. He also served as a Debt Management Specialist for the Illinois Toll Highway Authority, where he structured and coordinated more than \$3 billion of municipal bonds and derivative transactions to support construction projects for Illinois' Congestion Relief Program. Mr. Culpepper served as a Non-Commissioned Officer in the U.S. Army and holds a bachelor's degree in economics from Loyola University of Chicago.

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, Managing Director of Multifamily Programs, re-joined the Authority in April 2008. Ms. Thurmond had previously served at the Authority from 1999 through 2005 as both the Director of Asset Management as well as the Director of Multifamily Programs. Prior to working at the Authority, she worked in various investment banking capacities directly involving mortgage finance. Ms. Thurmond holds a Masters of Management from the Kellogg School of Northwestern University and a Bachelor of Science degree in Finance from the University of Illinois.

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 700, Chicago, Illinois 60611. The telephone number of the Authority is (312) 836-5200.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS

### General

Except as may be provided in a Supplemental Indenture with respect to some or all the Bonds of the related Series, the Bonds issued under the Indenture, including the Series 2009A Bonds, are special limited obligations of the Authority, and each Series of Bonds is payable solely from the Trust Estate pledged under the Indenture. The Bonds, including the Series 2009A Bonds, will not constitute a debt of the State or any political subdivision thereof, and neither said State nor any of its political subdivisions are liable thereon. The Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State or of any political subdivision thereof but will be payable solely from the revenues or assets of the Authority pledged under the Indenture. The State is not liable on the Bonds, and the Bonds are not a debt of the State and neither the faith and credit nor the taxing power of the state is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds.

**THE SERIES 2009A BONDS ARE NOT A GENERAL OBLIGATION OF THE AUTHORITY OR 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 THE RELEVANT PROVISIONS OF SECTION 26.1 OF THE ACT, WHICH REQUIRE 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 SERIES 2009A BONDS.**

The Bonds issued under the Indenture, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Bond over any other Bond, except as expressly provided or permitted in the Trust Indenture or in a Supplemental Indenture. The Bonds are secured by a continuing pledge and lien on the Trust Estate to secure the full and final payment of the principal and redemption price of and interest on all the Outstanding Bonds, including the Series 2009A Bonds. The Trust Estate includes all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Authority), and other assets from time to time held by the Trustee under and subject to the terms of the Trust Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any, with respect to Subsequent Series) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, or by anyone in its behalf or with its written consent, to the Trustee.

The Act provides that any pledge, assignment, lien, security interest or grant made pursuant to the Act, which includes the pledge and security interest made pursuant to the Trust Indenture and any Series Supplemental Indenture, will 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 will be valid and binding as against, and will be superior to any claims of any others having claims of any kind in tort, contract or otherwise against the Authority or any other person, irrespective of whether such

other parties have notice of the pledge, assignment, lien, security interest or grant, and neither the Indenture nor any other instrument by which such pledge is created need be recorded.

### **Restrictions on Escrowed Proceeds**

The proceeds of the Series 2009A Bonds, together with certain funds of the Authority (including the amount necessary to fund the Shortfall Amount), will be deposited and retained in the Series 2009A Escrow Account (the “Series 2009A Escrow Account”) established in the Program Fund. The proceeds shall be held in the Series 2009A Escrow Account until such date or dates in calendar year 2010 when the Authority elects to establish a Release Date. The funds held in the Series 2009A Escrow Account are pledged exclusively to the repayment of the Series 2009A Bonds. See “THE SERIES 2009A BONDS.”

Additionally, moneys held in the Series 2009A Escrow Account shall be invested solely in Permitted Escrow Investments as described in this paragraph. From the period beginning on January 12, 2010 to the First Available Issue Date, the Trustee will invest all moneys in the Series 2009A Escrow Account in overnight repos the counterparties for which are rated at least ‘P-1’/’A-1+’ and which are fully collateralized by U.S. Treasury securities. On the First Available Issue Date, the Trustee will invest all moneys in the Series 2009A Escrow Account in Four Week U.S. Treasury Bills issued on such date. The Trustee shall remain continuously invested in Four Week U.S. Treasury Bills by holding each such security to maturity and then using the proceeds to purchase a new Four week U.S. Treasury Bill delivered on the Issue Date coinciding with such maturity date. Each Release Date shall be an Issue Date. For the period beginning on any maturity of Four Week U.S. Treasury Bills and ending on the redemption date of Series 2009A Bonds which are being redeemed due to a failure to convert, withdrawal of closing certificates or failure to meet minimum rating thresholds (all as described herein under “THE SERIES 2009A BONDS—Redemption Provisions, Special Redemptions”), the proceeds of such Four Week U.S. Treasury Bills shall be invested to the redemption date in overnight repos the counterparties for which are rated at least ‘P-1’/’A-1+’ and which are fully collateralized by U.S. Treasury Securities.

“*First Available Issue Date*” means the first date following the Settlement Date on which Four Week Treasury Bills are available to be purchased by the Trustee at the U.S. Treasury’s weekly auction.

“*Issue Date*” means the date each week that Four Week Treasury Bills are issued and delivered pursuant to the U.S. Treasury’s weekly auction.

The proceeds received from the release of funds in the Series 2009A Escrow Account in connection with Series 2009A Bonds shall be used only to redeem Series 2009A Bonds or as follows:

- (i) to acquire and finance the holding of Permitted Mortgage Loans;
- (ii) to refund, as fixed rate bonds, any of the Authority’s outstanding variable rate debt (including auction rate securities) issued on or before October 19, 2009, so long as such debt, in turn, was issued to acquire and finance the holding of Permitted Mortgage Loans for projects that were initially financed on or after October 19, 2004 (proceeds used for the purpose described in this paragraph may not exceed 30% of the

principal amount of the Series 2009A Bonds, provided, however, that ‘replacement refundings’ where proceeds of Series 2009A Bonds are exchanged dollar for dollar for unexpended tax exempt bond proceeds and/or mortgage loan prepayments shall not be considered a refunding for purposes hereof);

(iii) acquire and finance the holding of Permitted Mortgage Loans which are either (i) loans guaranteed by either GSE or (ii) loans originated pursuant to underwriting criteria agreed to by the GSEs and which are financed with Series 2009A Bonds that the Issuer elects to treat as Construction Program Bonds; and

(iv) to fund reasonably required reserves and pay costs of issuance of the Series 2009A Bonds in accordance with the requirements and limitations of applicable federal tax law.

### **Sinking Fund Installment Payments**

Upon Conversion of any Series 2009A Bonds to a Permanent Rate, the Principal payments or Sinking Fund Installments on the Converted Series 2009A Bonds will be established based on the scheduled amortization payments on the Mortgage Loans then expected to be made or purchased with the proceeds of such Series 2009A Bonds so that even if no Mortgage Loan prepayments were received with respect to such Mortgage Loans, money or cash equivalents expected to be held in the funds and accounts under the Indenture would be sufficient to pay when due the Principal payments and Sinking Fund Installments of and interest on the Series 2009A Bonds and all Program Expenses allocable thereto. Funds (including Mortgage Loan prepayments, if any) may be received from time to time in amounts in excess of the amounts necessary to pay the interest on and Principal payments of the Bonds then due. Payments of principal and interest on Mortgage Loans, including Mortgage Loan prepayments, in excess of the amounts necessary to pay interest on and Principal payments of the Bonds may be applied to redeem Bonds, including the Series 2009A Bonds, prior to maturity.

To the extent that Mortgage Loans are not purchased at the times and interest rates anticipated by the Authority, or timely payment of principal or interest on the Mortgage Loans is not received when due, or prepayments on Mortgage Loans are received at a rate substantially higher than assumed, or the Authority suffers losses on Mortgage Loans in excess of any applicable mortgage insurance or guarantee or in excess of amounts otherwise available therefor or investment income differs from the amount projected by the Authority, the moneys available under the Indenture for payment of the Bonds, including the amounts in the Reserve Fund, may be adversely affected. Certain proceeds of the Bonds, including proceeds on deposit in the Program Fund and the Reserve Fund, will be invested in Permitted Investments.

### **Reserve Fund**

The Trust Indenture requires that a Reserve Fund be established and provides for its funding and maintenance in an amount at least equal to the Reserve Requirement. The Trust Indenture establishes the Reserve Requirement as an amount at least equal to the aggregate amounts specified, if any, as the Reserve Requirement in the Supplemental Indentures authorizing all Series of Bonds currently outstanding. Pursuant to the Series 2009A Supplemental Indenture, the Reserve Requirement with respect to the Series 2009A Bonds is an amount equal to at least zero percent (0.00%) of the aggregate principal amount thereof not yet

Converted to constitute a Subsequent Series. Permitted Investments on deposit in the Reserve Fund are valued under the Indenture at par, if purchased at par, or at Amortized Value if purchased at other than par. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Depositaries of Moneys and Investment of Funds.”

Moneys in the Reserve Fund may not be withdrawn in any amount which would reduce the amount on deposit in the Reserve Fund to less than the Reserve Requirement except for the purpose of paying principal of and interest on Bonds maturing and becoming due for payment and any Sinking Fund Installments. In lieu of cash or securities, the Trust Indenture allows the Authority to satisfy the Reserve Requirement in part or in whole by maintaining letters of credit, insurance policies, sureties, guarantees or other security arrangements as defined and provided for in a Supplemental Indenture (collectively, “Cash Equivalents”), which Cash Equivalents shall have the necessary terms to maintain the then current Rating of the Bonds.

### **Additional Bonds**

The Indenture permits the issuance of additional Bonds thereunder for the purpose of providing funds to be applied with other available funds to make Mortgage Loans to borrowers with respect to Developments pursuant to the terms of a Supplemental Indenture and Determination. Any additional Bonds issued under the Trust Indenture would be on a parity with the Outstanding Bonds and would be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Trust Indenture, provided such Bonds are only secured by multifamily loans which are Permitted Mortgage Loans. The Trust Indenture provides that upon the issuance of any such additional Bonds there is to be deposited in the Reserve Fund, if necessary, amounts sufficient to increase the amount therein to the Reserve Requirement calculated after such issuance.

So long as any Series of Bonds is Outstanding, the Authority will not create or permit the creation of or issue any obligations or create any additional indebtedness (other than additional Series of Bonds under the Indenture, which may only be secured by multifamily loans which are Permitted Mortgage Loans) which will be secured by a superior or equal charge or superior or equal lien on the amounts pledged under the Indenture for such Series or will be payable, on an equal or superior basis, from any of the Funds or Accounts established and created by or pursuant to the Indenture for such Series. The Authority may, however, issue evidences of indebtedness (including general obligations of the Authority) not issued and secured under the Indenture, which evidences of indebtedness may be secured by a lien on particular revenues, moneys or assets not already pledged under the Indenture. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Authorization and Issuance of Bonds.”

The Authority has further represented and warranted that the Series 2009A Bonds are not secured on a subordinate or parity basis with any other Bonds of the Authority secured, in whole or in part, with multifamily loans which are not Permitted Mortgage Loans. Additionally, the Authority has covenanted that it will not issue Bonds or other Debt senior to or on a parity with the Series 2009A Bonds, which additional parity or senior Bonds or Debt is secured, in whole or in part, with multifamily loans which are not Permitted Mortgage Loans. The Authority has further covenanted in the Series 2009A Supplemental Indenture that (i) the sum of the Series 2009A Bonds and any parity bonds which are not Series 2009A Bonds issued and Outstanding under the Indenture shall not at any time exceed \$306,800,000, (ii) on each Release Date, Series 2009A Bonds and any Subsequent Series of Bonds which are also Program Bonds

(as defined herein) that are Outstanding shall constitute not less than 30% of the aggregate amount of Series 2009A Bonds and parity bonds issued and Outstanding under the Indenture which are not Series 2009A Bonds or a Subsequent Series of Bonds which are also Program Bonds and, (iii) following the final Release Date, the Issuer will not issue any additional parity bonds (other than parity bonds issued to refund outstanding parity bonds) under the Indenture so long as any Series 2009A Bonds or a Subsequent Series of Bonds which are also Program Bonds remain Outstanding.

“*Program Bonds*” means the bonds issued pursuant to the Series 2009A Supplemental Indenture, and includes Series 2009A Bonds and Series 2009A Bonds which have been Converted to a Subsequent Series of Bonds.

### **Enforceability of Remedies**

Notwithstanding anything to the contrary in the Indenture the owners of a majority in principal amount of the Series 2009A Bonds shall have the exclusive right to direct the exercise of remedies under the Indenture and, following the occurrence of an Event of Default with respect to the Series 2009A Bonds and any such parity bonds, the Trustee shall take such remedial actions as are directed solely by the owners of a majority in principal amount of the Series 2009A Bonds.

The remedies available to the Owners of the Series 2009A Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies set forth in the Indenture and the various Program Documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2009A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the exercise of judicial discretion in accordance with general equitable principles and by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights generally.

### **Special GSE Rights**

For so long as any Series 2009A Bonds remain outstanding, certain rights have been granted to the GSEs pursuant to the terms of the Series 2009A Supplemental Indenture. These rights include, but are not limited to, the right to approve the appointment of a Successor Trustee and to directly enforce certain provisions of the Series 2009A Supplemental Indenture.

## **THE SERIES 2009A BONDS**

### **General**

The Series 2009A Bonds are issuable only as fully registered bonds in denominations of \$5,000 and integral multiples thereof and, for purposes of initial issuance and redemption of Series 2009A Bonds, \$10,000 or any integral multiple thereof, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), which will act as securities depository for the Bonds. See “BOOK-ENTRY ONLY SYSTEM.” The proceeds of the Series 2009A Bonds will initially be deposited in the Series 2009A Escrow Account. Amounts deposited in the Series 2009A Escrow Account shall be retained therein until the requirements of

the Series 2009A Supplemental Indenture with respect to the establishment of a release date (as described below) are satisfied or until applied to the redemption of the Series 2009A Bonds. Amounts on deposit in the Series 2009A Escrow Account shall be pledged exclusively to the repayment of the Series 2009A Bonds. While such proceeds are held in the Series 2009A Escrow Account, such proceeds may only be invested in Permitted Escrow Investments (as defined below).

Upon the satisfaction of the requirements of the Series 2009A Supplemental Indenture with respect to the establishment of a Release Date (as described below) and to the extent provided therein, amounts designated by the Authority and on deposit in the Series 2009A Escrow Account shall be transferred to such fund or account as directed by the Authority to be used in accordance with the Series 2009A Supplemental Indenture.

The Series 2009A Bonds shall mature, subject to redemption, on September 1, 2051 (the “Stated Maturity”).

Payment of the principal of and the interest on the Series 2009A Bonds at Stated Maturity shall be made upon the presentation and surrender of the Series 2009A Bonds. All payments of interest on and principal of, the Series 2009A Bonds shall be paid through DTC in accordance with its normal procedures, which as of the date hereof provide for payment by the Securities Depository to its Direct Participants (as defined in “BOOK-ENTRY ONLY SYSTEM”).

### **Interest—General**

Until Converted to a Permanent Rate on a Conversion Date, each Series 2009A Bond which is not a Variable Rate Construction Program Bond shall bear interest at the Short Term Rate from January 12, 2010 (the “Settlement Date”) to the related Conversion Date. The interest rate on some or all of the Series 2009A Bonds which are not Variable Rate Construction Program Bonds may be Converted on a Conversion Date to a Permanent Rate in accordance with the provisions of the Series 2009A Supplemental Indenture.

Until Converted on a Conversion Date, each Series 2009A Bond which is a Variable Rate Construction Program Bond shall bear interest at the Short Term Rate from January 12, 2010 to the Release Date. On and after the Release Date to the Variable Rate Construction Program Bond Conversion Date, the Construction Program Bonds shall bear interest at the Construction Program Bond Variable Rate. On and after the Construction Program Bond Conversion Date, the interest rate on the Variable Rate Construction Program Bonds shall be the Permanent Rate.

Series 2009A Bonds bearing interest at the Construction Program Bond Variable Rate shall bear interest on the basis of actual days elapsed for a year of 365 or 366 days, as applicable. Series 2009A Bonds which have been Converted and are bearing interest at the Permanent Rate shall bear interest based on a 360-day year consisting of 12 30-day months.

### **Release and Conversion**

A Conversion may involve all or only a portion of the Series 2009A Bonds, provided that such Series 2009A Bonds may only be Converted in authorized denominations of \$10,000. Any particular Series 2009A Bond may be Converted to a Permanent Rate only once. The Authority may exercise its right of Conversion on no more than three (3) occasions and must cause each

related Release Date to occur on or prior to December 31, 2010. If Series 2009A Bonds are Converted to Permanent Rates in part on different dates, each portion of such Series 2009A Bond may bear interest at different Permanent Rates based on their respective Conversion Dates.

The following definitions apply to the Series 2009A Bonds with respect to the determination of interest thereon:

“*Administrator*” means U.S. Bank National Association, as administrator pursuant to that certain Administration Agreement by and among U.S. Bank National Association, Fannie Mae and Freddie Mac and concerning the administration of the Program, together with its successors and assigns in such capacity.

“*Bond Rating*” means the long term credit rating (without regard to any bond insurance or any other form of credit enhancement on the Bonds) assigned to the Series 2009A Bonds or parity debt by each Rating Agency then providing its long term rating therefor. If more than one rating agency provides a rating, the “Bond Rating” is the lowest such rating.

“*Construction Program Bond Conversion Date*” means the first day of the first month which is more than 48 months after January 12, 2010.

“*Construction Program Bond Variable Rate*” means a variable rate equal to the sum of (i) the index of the weekly index rate resets of tax exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or any successor to such index plus (ii) .50% per annum.

“*Construction Program Bonds*” means bonds designated by the Authority as Construction Program Bonds issued to finance Permitted Mortgage Loans which are either (A) loans guaranteed by either GSE or (B) loans originated pursuant to underwriting criteria agreed to by the GSEs and which are financed with Series 2009A Bonds that the Authority elects to treat as Construction Program Bonds, which bonds mature less than 34 years after January 12, 2010 and bear interest and have the terms set forth above. Construction Program Bonds may be either fixed rate Construction Program Bonds (which shall bear interest at the Permanent Rate on and after the Conversion Date) or Variable Rate Construction Program Bonds, which bear interest at the Construction Program Bond Variable Rate on and after the Release Date and at the Permanent Rate on and after the Construction Program Bond Conversion Date

“*Conversion*” or “*Converting*” or “*Converted*” means the conversion or the converting of the interest rate on all or a portion of the Series 2009A Bonds from a Short Term Rate to a Permanent Rate.

“*Conversion Date*” means, with respect to all or a portion of Series 2009A Bonds that are converting to a Permanent Rate, the date two (2) months after the related Release Date; provided that there shall be no more than three (3) Conversion Dates.

“*Converted Bonds*” means Series 2009A Bonds that have been through the process of Conversion.

“*Fannie Mae*” means the Federal National Mortgage Association, a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. § 1716 et seq.

“*FHA*” means the Federal Housing Administration or its successors.

“*First Available Issue Date*” means the first date following the Settlement Date on which Four Week Treasury Bills are available to be purchased by the Trustee at the U.S. Treasury’s weekly auction.

“*Four Week T Bill Rate*” means the interest rate for Four Week Treasury Bills (secondary market) as reported by the Federal Reserve on its website at the following internet address <http://www.federalreserve.gov/releases/h15/update/h15upd.htm>.

“*Freddie Mac*” means the Federal Home Loan Mortgage Corporation, a shareholder owned government sponsored enterprise organized and existing under the laws of the United States.

“*GNMA*” means the Government National Mortgage Association, a government sponsored enterprise organized and existing under the laws of the United States.

“*GSE*” means either Fannie Mae or Freddie Mac or both, collectively, as the context may require.

“*Interest Payment Date*” means, with respect to Series 2009A Bonds which have not been Converted, each Release Date (but such Release Date shall be an Interest Payment Date only for that portion of Series 2009A Bonds which have not been Converted with respect to which amounts in the Series 2009A Escrow Account are subject to release on such date), each Conversion Date (but such Conversion Date shall be an Interest Payment Date only with respect to those Series 2009A Bonds which have not been Converted which are to become, as of such date, Converted Bonds), and each redemption date. Interest Payment Dates for each Converted Bond and each Construction Program Bond which is not a Variable Rate Construction Program Bond shall be March 1 and September 1 each year, commencing on the March 1 or September 1 first occurring after a Conversion Date. In addition, with respect to Variable Rate Construction Program Bonds, the first Business Day of each month after the Release Date to and including the Construction Program Bond Conversion Date shall be an Interest Payment Date.

“*Issue Date*” means the date each week that Four Week Treasury Bills are issued and delivered pursuant to the U.S. Treasury’s weekly auction.

“*MBS*” means a mortgage backed security or securities issued by either GSE or by GNMA.

“*Permanent Rate*” means the interest rate per annum equal to the sum of (i) 3.49% plus (ii) the Spread.

“*Permanent Rate Calculation Date*” means the date on which the Permanent Rate is calculated with respect to all or a portion of the Series 2009A Bonds, which shall be, with respect to each applicable portion of the Series 2009A Bonds which have not been Converted, a date acceptable to the GSEs selected by the Authority on or prior to December 31, 2010 by

delivery of a Release Certificate, in the form set forth in Exhibit A to the Series 2009A Supplemental Indenture (a “Release Certificate”), as provided in the Indenture.

“*Permitted Escrow Investments*” means the investments described as the Permitted Escrow Investments in the section entitled “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS—Restrictions on Escrowed Proceeds.”

“*Release Date*” means such date or dates (not to exceed three (3) dates) on or prior to December 31, 2010 and which dates are acceptable to the GSEs, on which dates the requirements under the Series 2009A Supplemental Indenture are satisfied, including, without limitation, delivery of a Release Certificate.

“*Shortfall Amount*” means the difference, as of the Settlement Date, between the proceeds of the Series 2009A Bonds to be received on such Settlement Date and the initial principal amount of such Series 2009A Bonds.

“*Short Term Rate*” means, (i) for the period from January 12, 2010 to the applicable Release Date, the interest rate which produces an interest payment on such Release Date relative to the Series 2009A Bonds with respect to which amounts on deposit in the Series 2009A Escrow Account are subject to release on such Release Date equal to Investment Earnings and (ii) with respect to Series 2009A Bonds which are not Variable Rate Construction Program Bonds, from the Release Date to the Conversion Date, an interest rate equal to the sum of the Spread plus the lesser of (A) the Four Week T Bill Rate as of the Business Day prior to the Release Date or (B) the Permanent Rate less the Spread. For purposes of this provision, “Investment Earnings” means total investment earnings on the portion of the Series 2009A Escrow Account related to Series 2009A Bonds with respect to which a Release Date is occurring.

“*Special Permanent Rate Advisor*” means State Street Bank and Trust Company, and any successor or assign designated by Treasury.

“*Spread*” means (i) with respect to Series 2009A Bonds which are not Variable Rate Construction Program Bonds, additional per annum interest on the Series 2009A Bonds based upon the lowest Bond Rating effective as of the Permanent Rate Calculation Date to the Series 2009A Bonds under the Indenture by the rating agencies rating the Series 2009A Bonds, as follows:

| <b>Rating</b> | <b>Additional Spread</b> |
|---------------|--------------------------|
| ‘Aaa’/‘AAA’   | 60 bps                   |
| ‘Aa’/‘AA’     | 75 bps                   |
| ‘A’           | 110 bps                  |

and, (ii) with respect to Series 2009A Bonds which are Variable Rate Construction Program Bonds, additional per annum interest on the Variable Rate Construction Program Bonds based upon the lowest Bond Rating of the Series 2009A Bonds effective as of the Permanent Rate Calculation Date under the Indenture by the rating agencies rating the Variable Rate Construction Program Bonds as follows:

| <b>Rating</b> | <b>Additional Spread</b> |
|---------------|--------------------------|
| ‘Aaa’/’AAA’   | 140 bps                  |
| ‘Aa’/’AA’     | 155 bps                  |
| ‘A’           | 190 bps                  |

“*Treasury’s Financial Agent*” means JPMorgan Chase Bank, N.A., as Treasury’s financial agent, or such other party as Treasury may appoint for such purpose from time to time.

“*Variable Rate Construction Program Bonds*” means bonds designated by the Authority as Variable Rate Construction Program Bonds issued to finance Permitted Mortgage Loans which are either (A) loans guaranteed by a GSE or (B) loans originated pursuant to underwriting criteria agreed to by the GSEs and which are financed with Series 2009A Bonds and must be designated Construction Program Bonds, which bonds mature no more than thirty four (34) years after January 12, 2010 and which bear interest and have the terms set forth above.

### **Release and Conversion Procedures**

On or prior to the date which is fourteen (14) days prior to a proposed Release Date, the Authority shall notify the Trustee, the GSEs, the Administrator, Treasury’s Financial Agent and the rating agencies of (A) the proposed Release Date, (B) the proposed Conversion Date, (C) the principal amount of Series 2009A Bonds to be Converted on such Conversion Date, (D) the proposed Permanent Rate Calculation Date and (E) the Bond Rating anticipated to be in effect on the Release Date.

The Authority shall deliver or cause to be delivered to the Trustee on or prior to any Release Date, the following:

- (a) the certification of the Special Permanent Rate Advisor specifying, as applicable, the Permanent Rate Calculation Date and the Four Week T Bill Rate, Spread and Permanent Rate applicable to the relevant Conversion;
- (b) an Official Statement or supplement to this Official Statement relative to the Series 2009A Bonds being Converted;
- (c) (i) an opinion or opinions of counsel and a certificate of an authorized officer of the Authority to the effect that nothing has come to their attention that the Official Statement or supplement to this Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances in which there were made, not misleading and (ii) a letter or letters from the counsel referenced in the foregoing clause (i) addressed to the GSEs stating that the GSEs may rely on such opinion as though it was addressed to them;
- (d) confirmation by the rating agencies of the Bond Rating on the applicable Series 2009A Bonds after giving effect to the Release Date and related Conversion;
- (e) an opinion of Bond Counsel dated as of the Release Date to the effect that the applicable Series 2009A Bonds have been duly and validly issued and are enforceable obligations of the Authority and that interest payable on such Series 2009A Bonds is exempt from federal income taxation under Section 103 of the Code; and

(f) a certificate of the GSEs, evidencing (i) their consent to the Release Date and (ii) that the Authority has paid or made arrangements to pay the fees of the GSEs' counsel in connection with the Release Date.

In addition to the above Release and Conversion requirements, the Authority shall specify, by Certificate filed with the Trustee, the Mortgage Loan or Mortgage Loans to be financed by the Series 2009A Bond proceeds to be released and that the following determinations continue to be true: (a) that the issuance of Series 2009A Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; and (b) the Authority will derive receipts, revenues and other income from the Mortgage Loans made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Authority, for the payment of the Bonds and the payment of all costs and expenses incurred by the Authority with respect to the Program or purpose for which the Bonds are issued.

The Authority has represented and warranted that it reasonably expects to have Volume Cap, to the extent necessary for the Series 2009A Bonds to be tax-exempt, on a timely basis and in a manner which shall permit the Conversion of all Series 2009A Bonds to a Permanent Rate and the release of all funds in the Series 2009A Escrow Account by December 31, 2010 and that the Authority shall use its best efforts to obtain such Volume Cap, if necessary.

## **Redemption Provisions**

### **Special Redemptions**

***Redemption Due to Failure to Convert.*** The Series 2009A Bonds with respect to which a Release Date has not occurred prior to January 1, 2011 are subject to mandatory redemption on February 1, 2011 (or any earlier date selected by the Authority), at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

***Redemption Due to Withdrawal of Closing Certificates.*** The Series 2009A Bonds are subject to mandatory redemption in whole, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, on the first Business Day at least thirty (30) days after January 12, 2010, if there is delivered by mail or by electronic means to the Trustee on or prior to January 12, 2010 a Certificate of Adverse Change and the GSEs have not, prior to the date 20 days following January 12, 2010, provided the Trustee a written waiver.

“*Certificate of Adverse Change*” means a written notice from or on behalf of the GSEs or the Authority stating that one or more of the certificates or opinions required to be delivered by the Authority pursuant to the Placement Agreement, between the Authority and the GSEs, has been revised or withdrawn prior to the receipt by the Authority of proceeds of the Series 2009A Bonds on January 12, 2010.

***Pre Conversion Series 2009A Bonds Not Meeting Minimum Rating Thresholds.*** Within ten (10) Business Days of receipt by the Trustee of notice that the long term unenhanced rating on the Series 2009A Bonds has been withdrawn or fallen below “A3” or “A-”, all proceeds that are held in the Series 2009A Escrow Account shall be used to mandatorily redeem a corresponding amount of Series 2009A Bonds, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, to the redemption date. If the Permitted Escrow

Investments mature more than ten (10) business days after the receipt of such notice by the Trustee, the redemption date, shall be the date such Permitted Escrow Investments mature and the Trustee receives the proceeds thereof. The Authority has covenanted to provide notice to the Trustee promptly upon receipt by the Authority of notice of any such withdrawal or downgrade.

***Available Moneys for Redemptions.*** With respect to the redemptions set forth above, moneys on deposit in the Series 2009A Escrow Account shall be used for any such redemption; if amounts in the Series 2009A Escrow Account are not sufficient, then any available moneys under the Indenture shall be used for any such redemption.

**Sinking Fund Installments.** The Series 2009A Bonds are subject to mandatory sinking fund redemption, prior to maturity, in the amounts and on the dates to be established by the Authority not later than the final Release Date (provided, however, that Construction Program Bonds shall not be subject to sinking fund redemption prior to the Construction program Bond Conversion Date). The principal amount of any Series 2009A Bonds redeemed pursuant to the redemption provisions described above shall be applied to reduce each respective Sinking Fund Installment in the manner described in a certificate of an Authorized Officer.

**Optional Redemption.** The Series 2009A Bonds are redeemable at the option of the Authority, in whole or in part, from any source of funds, on the first Business Day of any month, at 100% of the principal amount, without premium, plus accrued interest thereon to the date of redemption.

**Selection of Bonds To Be Redeemed.** In the event of redemption of less than all of the Outstanding Bonds of like Series, interest rate and maturity, the Bonds to be redeemed in part shall be selected by the Authority in its sole discretion by written notice to the Trustee of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed, or if not so provided, randomly in such manner as the Trustee in its discretion deems fair. Whenever the Trustee is required or authorized to redeem Series 2009A Bonds other than at the election or direction of the Authority, the Trustee shall select the Series 2009A Bonds to be redeemed, give the notice of redemption and pay out of moneys available therefor (or pay to any Paying Agent, if applicable) the redemption price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Indenture. The Series 2009A Bonds may be redeemed only in Authorized Denominations.

**Additional Redemptions.** The Authority may add redemption provisions, in addition to those specified above, with respect to any Subsequent Series of Bonds when all or a portion of the Series 2009A Bonds are Converted.

**Notice of Redemption.** When the Trustee shall be required or authorized to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and of the Indenture, give notice (which notice shall be dated the date given) of the redemption of Bonds, which notice shall specify (a) the name of the Bonds, (b) the Series, (c) the date of issue, (d) the redemption price, (e) the maturities, interest rates and CUSIP numbers of the Bonds to be redeemed, (f) the redemption date and the place or places where amounts due upon such redemption will be payable (including name and address of the Trustee or redemption agent, with contact person and telephone number), (g) if less than all of the Bonds of any Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed (i.e., certificate numbers), (h) in the case of a Bond to be redeemed in part

only, such notice shall also specify the portion of the principal amount thereof to be redeemed, and (i) such other information as may be specified in a Supplemental Indenture with respect to a particular Series of Bonds. Such notice shall further state that, except as otherwise provided in Section 4.05 of the Trust Indenture, on the redemption date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, with interest accrued and unpaid to such date, and that from and after such date, interest thereon shall cease to accrue and be payable. Such notice shall be given by mailing a copy of such notice, first class mail, postage prepaid, at least 30 days but no more than 60 days prior to such redemption date, to the registered owner of any Bond, all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registry books, but failure so to mail any such notice or any defect in such notice shall not be a condition precedent to or affect the validity of any proceedings for the redemption of other Bonds.

In addition, the Trustee will send (no more than 60 days after the date for redemption) a further notice of redemption to each registered owner who has not presented his or her Bond for redemption within 30 days subsequent to the redemption date. Each such notice will be sent by first class mail, postage prepaid.

Any notice of redemption pursuant to Section 4.05 of the Trust Indenture may, if directed by the Authority, be given specifying that the redemption of the Bonds so called for redemption is made conditional upon the deposit of sufficient amounts to pay the redemption price therefor on the redemption date and, if amounts are not so available, such notice of redemption shall be cancelled and be null and void and the Bonds so called for redemption and subject to such conditional redemption notice shall continue to remain Outstanding.

Additionally, written notice of each redemption of Series 2009A Bonds shall be provided by the Trustee to the GSEs, the Administrator and the Treasury's Financial Agent, such notice to be provided by facsimile transmission to addresses provided by such parties. Redemption of Series 2009A Bonds shall not be conditioned or delayed for the giving of such notice, which shall be provided at least ten (10) days in advance of the date of such redemption.

**Redemption Restrictions and Recycling Prohibition.** Except as limited by tax law requirements, the Authority shall apply the following exclusively to the redemption of Series 2009A Bonds: (i) all proceeds of the Series 2009A Bonds, to the extent not used to fund Permitted Mortgage Loans, refund outstanding bond issues as provided in the Indenture, pay Series 2009A Bond issuance expenses or fund related reserve accounts and (ii) a pro rata portion (calculated based on the outstanding principal amount of the Series 2009A Bonds divided by the sum of the outstanding principal amount of the Series 2009A Bonds and the outstanding principal amount of any bonds issued in conjunction with and secured by the Trust Estate on a parity with the Series 2009A Bonds) and 100% (if no bonds issued in conjunction with and secured by the Trust Estate on a parity with the Series 2009A Bonds are then Outstanding) of all principal prepayments and recoveries of principal received with respect to the Permitted Mortgage Loans acquired or financed with the proceeds of the Series 2009A Bonds and any such parity bonds, to the extent not used to pay scheduled principal, interest or sinking fund redemptions on Series 2009A Bonds and any bonds issued in conjunction with and secured by the Trust Estate on a parity with the Series 2009A Bonds. Notwithstanding the foregoing, tax credit equity with respect to projects funded with Permitted Mortgage Loans may be used solely to redeem related bonds issued in conjunction with Series 2009A Bonds. Amounts set forth in

clause (ii) are required to be applied to the redemption of Series 2009A Bonds promptly and as provided above shall not be recycled into new Permitted Mortgage Loans. Particular series of Series 2009A Bonds may be redeemed with payments of specified Permitted Mortgage Loans.

### **Certain Covenants of the Authority**

The Authority has covenanted that, so long as the Series 2009A Bonds are Outstanding, it shall:

(g) use its reasonable best efforts to obtain Volume Cap allocations as needed for the Series 2009A Bonds in 2010;

(h) not permit the aggregate principal amount of the Series 2009A Bonds issued under the Indenture to exceed the Multifamily Program Bond Limit;

(i) not allow the aggregate principal amount of Series 2009A Bonds to exceed the reasonable expectations requirement applicable to tax exempt mortgage revenue bonds;

(j) not issue new Bonds under the Indenture in a variable rate demand, adjustable rate or auction rate mode other than Series 2009A Bonds during the period such Series 2009A Bonds bear interest at the Short Term Rate or the Construction Program Bond Variable Rate;

(k) take all steps necessary to assure that all assets and revenues of any description pledged to the payment of the Series 2009A Bonds and all other Bonds issued under the Indenture shall be applied strictly in accordance with, and solely for the purposes and in the amounts specified and permitted by, the terms of the Indenture;

(l) not exercise any rights it may have to make voluntary withdrawals of cash or other assets from the lien of the Indenture except under the following circumstances and within the following limits:

(i) the Authority may withdraw cash from the Indenture to pay ordinary and customary administrative and operating expenses of the Authority, ordinary and customary operating expenses of any of the indentures of the Authority (such as, for example, fees and payments due on an interest rate swap entered into by the Authority) and to fund or reimburse the cost of programs sponsored by the Authority, subject to each of the following requirements:

(A) either:

(1) the cumulative amount of such withdrawals does not exceed the cumulative withdrawals as projected to the date of such withdrawal in the cash flows most recently submitted to the rating agencies in connection with the then current long term rating of the Series 2009A Bonds; or

(2) prior to and as a condition to such withdrawal, the Authority obtains and furnishes to the Administrator and to

Treasury's Financial Agent a confirmation from each of the rating agencies maintaining ratings on the Series 2009A Bonds that the proposed withdrawal will not adversely affect such ratings; and

(B) prior to and as a condition to such withdrawal described in paragraph (f)(i), the Authority provides a written certification to the Administrator and to Treasury's Financial Agent specifying the amount and purpose of the withdrawal and that all requirements of this section (f)(i) have been met with respect to such withdrawal.

In spite of anything to the contrary contained in this paragraph (f)(i), no withdrawals whatsoever shall be made under this paragraph (f)(i) during any period when any of the ratings on the Series 2009A Bonds are below the level of "A3" or "A-" or has been suspended or withdrawn;

(ii) the Authority may withdraw cash or other assets from the Indenture for any purpose of the Authority other than as set out in paragraph (f)(i) above, subject to each of the following requirements:

(A) prior to and as a condition to such withdrawal, the Authority obtains and furnishes to the Administrator and to Treasury's Financial Agent a confirmation from each of the rating agencies maintaining ratings on the Series 2009A Bonds that the rating on the Series 2009A Bonds will be not less than "Aaa" and "AAA", respectively, from Moody's and S&P (each as defined herein) with a rating outlook that is either "stable" or "positive" or the equivalent;

(B) the cash or other assets withdrawn from the lien of the Indenture pursuant to this paragraph (f)(ii) are retained by the Authority within its funds and accounts or are expended to further the mission or otherwise for the benefit of the Authority; and

prior to and as a condition of such withdrawal described in paragraph (f)(ii), the Authority provides a written certification to the Administrator and to Treasury's Financial Agent specifying the amount and purpose of the withdrawal and that all requirements of this paragraph (f)(ii) have been met with respect to such withdrawal.

(m) with respect to the purchase, origination, enforcement and servicing of Permitted Mortgage Loans, the Authority shall:

(i) originate or cause to be originated, and, if applicable, purchased, mortgage loans and purchase, or cause to be purchased, MBS in a manner consistent with applicable state law, the Indenture and any supplements thereto, and such other related documents by which the Authority is bound,

(ii) cause all mortgage loans to be serviced pursuant to the servicing requirements of the Authority, GNMA, FHA, Fannie Mae and Freddie Mac, as applicable,

(iii) except as otherwise permitted by Treasury or the GSEs, diligently take all steps necessary or desirable to enforce all terms of the mortgage loans, MBS, loan program documents and all such other documents evidencing obligations to the Authority, and

(iv) diligently take all actions consistent with sound mortgage loan origination, purchase and servicing practices and principles as may be necessary to receive and collect sufficient revenues to pay debt service when due on the Series 2009A Bonds;

(n) not issue any bonds senior in priority to the Series 2009A Bonds and the Authority has represented and warranted that the Series 2009A Bonds are at least equal in priority with respect to payment and security to the most senior Outstanding Bonds under the Indenture.

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

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009A Bonds. The Series 2009A 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 Security certificate will be issued for each maturity of the Series 2009A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009A 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 the Series 2009A 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 Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A 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 Series 2009A 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 Series 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A 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 notices 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. Beneficial Owners of Series 2009A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2009A Bonds may wish to ascertain that the nominee holding the Series 2009A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments (including redemption proceeds) on the Series 2009A 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to 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.

A Beneficial Owner shall give notice to elect to have its Series 2009A Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2009A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2009A Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2009A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2009A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2009A Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

**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 SERIES 2009A 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 SERIES 2009A BOND, ANY NOTICE THAT IS REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE (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 SERIES 2009A BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION**

**TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2009A BONDS.**

**MULTIFAMILY INITIATIVE MORTGAGE LOAN PROGRAM**

The Series 2009A Supplemental Indenture provides that proceeds of the Series 2009A Bonds may only be used to finance (or in certain cases refund debt issued to finance) “Permitted Mortgage Loans,” which are defined as (i) loans insured by FHA, including loans under the FHA risk sharing program, (ii) loans guaranteed by GNMA, (iii) loans guaranteed by either GSE, and (iv) loans originated pursuant to underwriting criteria agreed to by the GSEs (which criteria are provided by the GSEs in writing for use in connection with the Series 2009A Bonds) which are either newly originated or refinanced as part of a refunding of variable rate debt of the Issuer issued on or before October 19, 2009, which debt was issued to acquire and finance the holding of multifamily loans described in (i) (iv) above on or after October 19, 2004, so long as all such loans are eligible to be financed on a tax exempt basis under applicable federal income tax law.

The Series 2009A Supplemental Indenture further provides that the proceeds of the Series 2009A Bonds may not be used for essential governmental functions within the meaning of Section 115 of the Code and that (i) escrowed proceeds of Series 2009A Bonds with a maturity in excess of 34 years may only be used to fund Permitted Mortgage Loans insured by FHA, and (ii) escrowed proceeds of Series 2009A Bonds with a maturity of more than 32 years and 34 years or less may only be used to fund either (A) Permitted Mortgage Loans insured by FHA or (B) Permitted Mortgage Loans guaranteed by either GSE or originated pursuant to underwriting criteria agreed to by the GSEs and must be designated Construction Program Bonds.

**OTHER AUTHORITY PROGRAMS**

Information regarding the Authority’s other multifamily mortgage loan programs and the single-family mortgage purchase programs is provided below for purposes of general reference only. The mortgage loans and other funds and assets held under these programs are not pledged as security for the Bonds. Many of the developments financed under the multifamily mortgage loan 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 have been several proposals 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 future discussions or the potential impact on developments financed under these programs.

**Other Multifamily Mortgage Loan Programs**

*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 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 multifamily 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 the relevant provisions of Section 26.1 of the Act, which require 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.

*Housing Bonds.* The Authority issued bonds for the first time under this program in April 1999. Bonds issued under this program are anticipated to be used to finance new mortgage loans and refinance, directly or indirectly, and to make additional loans for, multifamily developments. The bonds issued under this program to date are general obligations of the Authority but not subject to certification pursuant to the relevant provisions of Section 26.1 of the Act, which require 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.

*Single Project Financings.* The Authority issues from time to time special limited obligation bonds to finance single projects. These bonds are generally conduit financings and are not general obligations of the Authority or subject to certification pursuant to the relevant provisions of Section 26.1 of the Act, which require 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.

### **Single-Family Mortgage Purchase Bond Programs**

Information regarding the Authority's single-family mortgage purchase programs is provided below for purposes of general reference only. The mortgage loans and other funds and assets held under these programs are not pledged as security for the Bonds.

*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, and the Authority anticipates issuing additional bonds under this program. The Authority anticipates participating in the U.S. Treasury New Issue Bond Program in December 2009 through the issuance of Homeowner Mortgage Revenue Bonds. These bonds are not general obligations of the Authority and are not subject to the relevant provisions of Section 26.1 of the Act, which require 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.

*Residential Mortgage Revenue Bonds.* The Authority adopted its 1983 Resolution 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 (a de minimis amount of which remain outstanding) under the 1983 Resolution 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.

## Other Authorized Activities

In addition to the bond 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.

*FHA Direct Lending programs.* The Authority is an FHA and HUD approved lender to initiate loans under the following programs:

Risk Share Program. Under the Risk Share Program, the Authority underwrites certain mortgage loans on multi-family housing following its own underwriting guidelines to be insured by HUD. In the event of a foreclosure, HUD will bear 10 to 90 percent of the loss, as elected by the Authority at the time the loan was made. The Authority will bear the remainder of the risk. The Authority has made a number of Risk Share loans, but cannot predict whether additional Risk Share loans will be made.

Multifamily Accelerated Processing (MAP) Program. Under the MAP Program, the Authority processes applications for multi-family mortgage loans using underwriting requirements for FHA insurance programs for new construction or substantial rehabilitation of multi-family housing under Section 221(d)(4) of the 1937 Housing Act and refinancing of existing multi-family housing including moderate rehabilitation under Section 223(f) of the 1937 Housing Act.

FHA LEAN Program. Under the FHA LEAN Program, the Authority processes applications targeting supportive living or assisted living facilities using underwriting for FHA insurance programs for new construction or substantial rehabilitation under Section 232 of the 1937 Housing Act and refinancing of existing facilities under Section 207 of the 1937 Housing Act.

*Trust Fund Loan Program.* As the administrator of the Illinois Affordable Housing Program, the authority may use Trust Fund moneys, not otherwise pledged as security for Affordable Housing Program Trust Fund Bonds, to make grants, mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure and retain affordable single family and multifamily housing for low and very low income households. The program is funded by the Illinois Affordable Housing Trust Fund with funds generated by the State real estate transfer tax.

See “OTHER AUTHORITY PROGRAMS—OTHER MULTIFAMILY MORTGAGE LOAN PROGRAMS.”

*HOME Loan Program.* 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 program, 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.

*Tax Credit Assistance Program and Section 1602 Program.* In addition to the loan programs described above, the Authority serves as the administrator on behalf of the State for the low income housing tax credit program. As such, and pursuant to the American Recovery and Reinvestment Act of 2009 (“ARRA”), the Authority serves as the administrator for the Tax Credit Assistance Program (“TCAP”) and the Section 1602 Program (“Section 1602”). Under TCAP, HUD makes a grant to the Authority for the Authority to award funds to projects, on a competitive basis, that have received low income housing tax credits under Section 42(h) of the Code during the period from October 1, 2006 to September 30, 2009. ARRA requires that 75% of the TCAP funds be committed no later than February 16, 2010 and that 75% of TCAP funds be expended by February 16, 2011. Under Section 1602, the U.S. Treasury Department (“Treasury”) will make a grant to the Authority in lieu of, or in exchange for, low income housing tax credits. Section 1602 funds will be used to finance the construction or acquisition and rehabilitation of qualified low-income buildings, with or without an allocation under Section 42. Funds from TCAP and Section 1602 are subject to recapture for non-compliance with the requirements of TCAP and Section 1602.

*Rental Housing Support Program.* The Illinois Rental Housing Support program is the state’s rental assistance program, which provides rent subsidies each year on units for extremely low income households. Funding for the program is generated through a \$10 real estate document recording fee collected throughout the state. The Authority administers the program overall, but the RHS Program is designed to utilize local agencies, called Local Administering Agencies (LAAs), that manage the program in their communities. LAAs are awarded funding and contract directly with landlords to rent units in the program to qualified tenants. In addition, the RHS Program provides funding through the Long Term Operating Support (LTOS) Program, which awards contracts directly with developments throughout Illinois. All tenants participating either through a LAA, or through the LTOS Program, pay approximately 30% of their income in rent and must be at or below 30% of their area’s median income.

*Neighborhood Stabilization Program.* The Authority has been designated by the State as the party with the lead administrative and implementation responsibilities with respect to the federal Neighborhood Stabilization Program (the “NSP”), which was authorized by the Housing and Economic Recovery Act of 2008. The NSP provides funding to projects located in areas of

greatest need to acquire, rehabilitate, and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. Grant funds under the NSP may be allocated for eligible activities including purchase, rehabilitation, and redevelopment of foreclosed or abandoned homes and property for resale or rental in order to stabilize neighborhoods and stem the decline of values of neighboring homes.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The Indenture contains terms and conditions relating to the issuance and sale of Bonds, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Indenture, to which reference is hereby made, copies of which are available from the Authority or the Trustee. Summary definitions of certain terms used in the Indenture and this Official Statement are set forth below. Capitalized terms used in this summary that are not otherwise defined herein have the meanings set forth in the Indenture.

In addition to the provisions of the Indenture summarized below, the Series 2009A Supplemental Indenture sets forth provisions specific to the Series 2009A Bonds and the terms and conditions of such Bonds as well as additional covenants and security provisions applicable to such Bonds (see “THE SERIES 2009A BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS”).

### **Certain Definitions**

The following are definitions in summary form of certain terms contained in the Indenture and used in this Official Statement:

“*Bondholder*” or “*holder of Bonds*” or “*owner of Bonds*”: the registered owner of any Bond.

“*Federal Agency Obligations*” means, subject to the provisions of State law, bonds, debentures or other obligations issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, any Federal Home Loan Bank, the Resolution Funding Corporation, the Tennessee Valley Authority, any Federal Loan Bank or the Government National Mortgage Association and any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress of the United States.

“*Federal Obligations*” means direct obligations of the United States or other obligations the timely payment of principal and interest of which is fully and unconditionally guaranteed by the United States.

“*Fiscal Year*” means the period of 12 calendar months commencing on July 1 in any calendar year and ending on June 30 in the following year.

“*HUD*” means the Department of Housing and Urban Development and any successor thereto and shall include FHA, as dictated by context.

“*Interest*” or “*interest*” means, with respect to any Bonds, the amount of interest specified with respect thereto by the Supplemental Indenture authorizing the issuance thereof.

“*Mortgage Loan*” means a mortgage loan, or a mortgage-backed security of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association representing an interest in a mortgage loan.

“*Outstanding*” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except (a) bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity; (b) bonds for the payment or redemption of which cash funds or Federal Obligations or any combination thereof shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; (c) bonds in lieu of which other Bonds have been executed and delivered under the Indenture; and (d) bonds otherwise specified in a Supplemental Indenture.

“*Permitted Investments*” means any of the following which at the time are legal investments under the law of the State for funds held under the Indenture which are then proposed to be invested hereunder: (a) Federal Obligations; (b) obligations of any state of the United States of America or any political subdivision of such a state (such obligations of which are rated in the highest long term rating category by each Rating Agency); (c) Federal Agency Obligations; (d) repurchase agreements collateralized by securities described in (a), (b) or (c) above with any institution that will not adversely affect the Rating of the Bonds at the time of purchase; (e) investment agreements, secured or unsecured as required by the Authority, with any institution that will not adversely affect the Rating of the Bonds at the time of execution; (f) any of the following obligations that would not adversely affect the Rating of the Bonds at the time of purchase: (i) time deposits, certificates of deposit or any other deposit with federally or state chartered banks (including the Trustee and its affiliates), the deposits of which are fully insured by the FDIC, (ii) commercial paper, (iii) shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, having assets of at least \$100 million, and (iv) any other investment with a financial institution; provided that, for the purposes of (d), (e) or (f) above, unless otherwise notified by a Rating Agency, if the general unsecured obligation of an institution is rated by such Rating Agency at a level which is not lower than one rating below the Rating on the Bonds, any agreement constituting a general unsecured obligation of such an institution shall not be treated as adversely affecting the Rating of the Bonds; and further provided that it is expressly understood that the definition of Permitted Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those permitted which the Executive Director deems from time to time to be in the interest of the Authority to include as Permitted Investments, as reflected in an Executive Director’s Determination, or in a Supplemental Indenture if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current Rating on the Bonds.

“*Principal*” or “*principal*” means as such term references the principal amount of any Bond, the principal amount of such Bond.

“*Program Expenses*” means any fee, premium or other item of expense directly or indirectly payable by or reimbursable to the Authority and related to (a) the compensation and expenses of the Trustee and any other paying agents, (b) the servicing of Mortgage Loans

(whether by the Authority or others), (c) the maintenance in full force and effect of any additional security for the Bonds, (d) any policy or policies of insurance on or relating to Mortgage Loans maintained by the Authority pursuant to any supplemental indenture and (e) reasonable costs and expenses incurred by the Authority in connection with the administration of the Authority's programs pursuant to which the Mortgage Loans are financed or its ownership, preservation, rehabilitation or disposition of property acquired by the Authority through the protection or enforcement of its rights conferred by law under the applicable Mortgage Loan.

*“Rating”*: with respect to any Series of Bonds, the then current rating or ratings assigned by the Rating Agency pursuant to the request of the Authority without regard to the benefit of any bond insurance or other credit enhancement relating to any Bond.

*“Rating Agency”*: a nationally recognized organization that has an outstanding rating on the Bonds pursuant to the request of the Authority.

*“Reserve Requirement”*: as of any particular date of calculation, the aggregate of the amounts specified, if any, as the Reserve Requirement in the Supplemental Indentures authorizing the outstanding Series of Bonds. The Trustee may rely upon a Certificate of the Authority which states the Reserve Requirement as of the date of the Certificate.

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

*“Supplemental Indenture”*: an indenture supplemental to or amendatory of the Indenture, adopted by the Authority in accordance with the Indenture; a Supplemental Indenture may consist of a supplement to the Indenture or a certificate of the Authority specifying the terms of the Bonds being issued under the Indenture.

*“Trust Estate”* means all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Authority), and other assets from time to time held by the Trustee under and subject to the terms of the Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, or by anyone in its behalf or with its written consent, to the Trustee which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

### **Indenture as Contract with Bondowners**

The Indenture constitutes a contract among the Authority, the Trustee and the Bondowners. The pledge made in the Indenture and the provisions, covenants and agreements therein are for the equal benefit, protection and security of all owners of the Bonds, all of which, regardless of their times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in the Indenture.

## **Pledge of the Indenture**

The Indenture creates a continuing pledge and lien on the Trust Estate to secure the full and final payment of the principal and redemption price of and interest on all the Outstanding Bonds. The Trust Estate includes all moneys and securities, including Bond proceeds (other than proceeds deposited in trust for the retirement of any outstanding Bonds or other indebtedness of the Authority), and other assets from time to time held by the Trustee under and subject to the terms of the Indenture or any Supplemental Indenture (other than amounts held in the Rebate Fund, if any, with respect to subsequent Series) and any and all other real or personal property of every name and nature from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority, or by anyone in its behalf or with its written consent, to the Trustee.

Additionally, the Bonds are not general obligations of the Authority, but are limited obligations of the Authority, payable from the revenues, assets and moneys held under the Indenture for the benefit of the holders of the Bonds, subject only to agreements made with holders of Bonds or other indebtedness pledging particular revenues, moneys or assets for the payment thereof. The Bonds will not constitute a debt of the State or any political subdivision thereof, and neither the State nor any of its political subdivisions are liable thereon. The Bonds will not constitute a debt or liability or obligation or a pledge of the faith and credit of the State but will be payable solely from the revenues, assets and moneys pledged therefor. The State is not liable on the Bonds, and the Bonds are not a debt of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds.

## **Authorization and Issuance of Bonds**

Bonds of the Authority may be issued from time to time in one or more Series without limitation as to amount except as provided in the Indenture or as may be limited by law. The Bonds will be limited obligations of the Authority. The Authority may issue a Series of Bonds by adopting a supplemental indenture and delivering to the Trustee, among other things:

- (1) A Counsel's Opinion with respect to the issuance of the Bonds in a form acceptable to the Authority as specified in the Supplemental Indenture;
- (2) A copy of the Supplemental Indenture and Determination authorizing such Bonds, which shall specify, among other things, the terms and conditions of the Bonds and the related Reserve Requirement; and
- (3) A Certificate stating that (i) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds and other obligations theretofore issued pursuant to the Act, will not exceed in aggregate principal amount any limitation thereon imposed herein, by the Authority's authorizing resolution or by law, (ii) upon the issuance and delivery of such Bonds, the Reserve Requirement (if any) will be met, and (iii) at the time of issuance of such additional Bonds, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture.

## **Cash Equivalents**

The Indenture permits the use of a letter of credit, insurance policy, surety, guarantee or other security arrangement (as may be defined and provided for in a Supplemental Indenture) (each a “Cash Equivalent”), so long as such Cash Equivalent shall have such terms necessary to maintain the Rating of the Bonds.

## **Establishment of Funds and Accounts**

The Indenture establishes or authorizes the establishment of the following funds and accounts to be held by the Trustee:

Program Fund  
Revenue Fund  
Debt Service Fund  
Reserve Fund  
Special Program Fund  
Rebate Fund

In addition, within the Program Fund, the Series 2009A Supplemental Indenture establishes the Series 2009A Escrow Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009A BONDS—Restrictions on Escrowed Proceeds.”

The Trustee shall establish in each Fund, a separate Account for each Series of Bonds; *provided, however*, that no such separate accounts shall be established in the Reserve Fund under the Indenture. Except as otherwise provided, the proceeds of a particular Series of Bonds issued pursuant to a Supplemental Indenture and the earnings on investments of moneys in the Funds or Accounts relating to a particular Series of Bonds, when required to be deposited in any Fund, shall be deposited or credited to the Account established therein for that particular Series of Bonds; *provided, however*, that all earnings on investments of moneys in the Reserve Fund shall be deposited or credited to the Reserve Fund. Withdrawals from Funds (other than the Reserve Fund) and Accounts in connection with a particular Series of Bonds may be made and used (including for purposes of redemption) only for such Series of Bonds, except as otherwise provided in the Indenture or in the related Supplemental Indenture. For purposes of investment, the Trustee and the Authority may consolidate the Accounts required to be established in a particular Fund into one Fund so long as adequate records are maintained as to the amounts held in each such Fund allocable to each Series of Bonds.

## **Program Fund**

Program Fund moneys may be used for any purpose set forth in a Supplemental Indenture. The Trustee may also, to the extent amounts are insufficient in the Revenue Fund to pay principal of or interest on the Bonds or any Sinking Fund Installment when due, transfer (after transferring amounts in any capitalized interest account established in connection with the Series 2009A Bonds, the Special Program Fund or the Reserve Fund) moneys from the Program Fund (to the extent of amounts available therein) to the Revenue Fund to pay principal of or interest on the Series 2009A Bonds and any Sinking Fund Installments. Additionally, amounts or assets credited to the Program Fund may, upon the direction of an Authorized Officer, be

transferred or credited by the Trustee to the Revenue Fund or another Fund or Account or to the Authority at such times as directed by such Authorized Officer.

### **Revenue Fund**

All moneys and amounts pledged under the Indenture shall, promptly upon receipt by the Authority, be deposited in the Revenue Fund.

On or before each interest payment date for the Outstanding Bonds, or on such other dates as may be directed in a Supplemental Indenture, the Trustee will transfer from the Revenue Fund the balance on deposit in such Fund as follows in the following order of priority:

(i) To the Debt Service Fund, an amount equal to the unpaid interest due on the Bonds on that date, and on any redemption date or purchase date pursuant to the Indenture, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or purchased;

(ii) To the Debt Service Fund, (i) an amount equal to the principal amount of the Outstanding Bonds, if any, due (whether by maturity, redemption or otherwise) on that date, and (ii) an amount equal to the Sinking Fund Installment, if any, due on that date; and

(iii) To the Reserve Fund, if and to the extent required so that the amount therein shall equal the Reserve Requirement.

The Trustee shall, to the extent the amount in the Revenue Fund and the Debt Service Fund is insufficient to pay principal of or interest on the Bonds or any Sinking Fund Installment when due, transfer the amount of such deficiency from the following funds in the following order: (i) any amounts in any capitalized interest account established pursuant to a Supplemental Indenture, (ii) the Special Program Fund, if any, to the extent of amounts available therein and therefor, (iii) the Reserve Fund, to the extent of amounts available therein, and (iv) the Program Fund, to the extent of amounts available therein and therefor.

So long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including Principal Amount or Redemption Price and interest), no deposits shall be required to be made into the Debt Service Fund.

Amounts or assets in the Revenue Fund may, on and after each Interest Payment Date upon the direction of an Authorized Officer, be used to pay Program Expenses or may be transferred or credited by the Trustee to another Fund or Account or, if permitted by the related Supplemental Indenture, to the Authority at such times as directed by such Authorized Officer.

### **Debt Service Fund**

On each Interest Payment Date and any other date on which interest on the Bonds is payable, the Trustee shall withdraw from the Debt Service Fund an amount equal to the unpaid interest due on the Bonds on that date, and on any redemption date or purchase date pursuant to the Indenture, an amount equal to the unpaid interest due on the Bonds to be paid, redeemed or

purchased, and shall cause it to be applied to the payment of said interest or amount when due, or shall transmit it to one or more Paying Agents, who shall apply it to such payment.

The Trustee shall withdraw from the Debt Service Fund on each date on which principal of the Bonds is payable (i) an amount equal to the principal amount of the Outstanding Bonds, if any, due (whether by maturity, redemption or otherwise) on that date, which shall be applied to the payment or purchase of the principal of said Bonds or transmitted to one or more Paying Agents who shall apply it to such payment and (ii) an amount equal to the Sinking Fund Installment, if any, due on that date, which shall be applied to the redemption of Bonds to be redeemed on that date or transmitted to one or more Paying Agents who shall apply it to such redemption.

Unless other dates are specified in the Supplemental Indenture authorizing a Series of Bonds, on or before the thirty first day prior to each such date on which a Sinking Fund Installment is due, the Trustee shall proceed to select for redemption in the manner provided in this heading “—Debt Service Fund” from all Outstanding Bonds of the Series subject to redemption from such Sinking Fund Installment an amount of such Bonds, equal to the aggregate principal amount of such Bonds redeemable with such Sinking Fund Installment, and shall call such Bonds for redemption from such Sinking Fund Installment on the next succeeding date for redemption, and give notice of such call in accordance with the Indenture. On or before the fortieth day next preceding any date on which a Sinking Fund Installment is due, the Authority, by a Certificate, may (i) deliver to the Trustee for cancellation Bonds which are subject to redemption from such Sinking Fund Installment, or portions thereof, in any aggregate principal amount desired or (ii) receive a credit in respect of its Sinking Fund Installment obligation for any such Bonds, which prior to said date have been delivered to the Trustee for cancellation or redeemed (otherwise than through redemption from a Sinking Fund Installment) and canceled by the Trustee and not theretofore applied as a credit against any Sinking Fund Installment obligation. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof on the obligation with respect to such Sinking Fund Installments as the Certificate shall direct and the principal amount of such Bonds to be redeemed by such Sinking Fund Installment shall be accordingly reduced.

Amounts or assets in the Debt Service Fund may, on and after each Interest Payment Date upon the direction of an Authorized Officer, be transferred or credited by the Trustee to another Fund or Account or to the Authority at such times as directed by such Authorized Officer.

### **Reserve Fund**

The Authority shall deposit amounts in the Reserve Fund as provided in the Series Supplemental Indentures and as provided in the Trust Indenture. The Trustee shall transfer money held in the Reserve Fund to the Revenue Fund, pursuant to the Indenture, to be applied to pay the principal of and interest on the Bonds to the extent no other funds 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 written request, be transferred to the Special Program Fund pro rata across all Subsequent Series, unless otherwise provided in the various Series Supplemental Indentures. A Series Supplemental Indenture may provide that the Series Reserve Requirement with respect to the applicable Series of Bonds be funded in whole or in part through Cash Equivalents.

## **Rebate Fund**

There shall be deposited in the Rebate Fund, as directed by a Certificate of an Authorized Officer, such amounts determined by the Authority as are necessary to satisfy any “arbitrage rebate requirements” to comply with the requirements of Section 148 of the Code. Payments shall be made from the Rebate Fund, as directed by a Certificate of an Authorized Officer, at such times and in such amounts as are necessary to comply with the requirements of Section 148 of the Code.

## **Special Program Fund**

Unless the Authority directs otherwise, on each Interest Payment Date for a Series of Bonds, after the payment of all amounts due to be paid therefrom with respect to the related Series of Bonds, the Trustee will transfer all surplus revenues on deposit in each Series Account of the Revenue Fund to the Series Account in the Special Program Fund created with respect to the related Series of Bonds. If the Authority either does not create a Special Program Fund, or a Series Account in the Special Program Fund for a Series of Bonds, all such surplus revenues shall be retained in the related Series Account in the Revenue Fund.

If and to the extent directed by a Certificate of an Authorized Officer, the Trustee shall create the Special Program Fund, or accounts therein, and from time to time to the extent permitted by the terms of the related Supplemental Indenture, (i) pay out money from the Special Program Fund for any purpose permitted under the Act and (ii) transfer funds to the Authority free and clear of the lien of the Indenture.

The Trustee shall, to the extent the amount in the Revenue Fund is insufficient to pay the principal of and interest on the Bonds and any Sinking Fund Installment when due, transfer (after transferring amounts in any capitalized interest account established in connection with a Supplemental Indenture) moneys from the Special Program Fund, to the extent of amounts therein which are not otherwise restricted for specific purposes, to the Revenue Fund to pay the principal of and interest on the Bonds and any Sinking Fund Installment.

## **Depositaries of Moneys and Investment of Funds**

Except as otherwise provided below, the Authority may direct the Trustee to, and in the absence of direction the Trustee shall, invest moneys in the Funds and the Accounts held by the Trustee in Permitted Investments, the maturity or redemption date at the option of the holder of which shall not exceed the date or dates on which moneys in said Fund or Account for which the investments were made are reasonably expected to be required for the purposes provided in the Indenture and any related Supplemental Indenture.

Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account. Moneys in separate Funds and Accounts may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of the Indenture, so long as adequate records are maintained as to the amounts held in each such Fund or Account allocable to each Series of Bonds.

In computing the amount in any Fund or Account held by the Trustee under the provisions of the Indenture, obligations purchased by the Trustee or transferred by the Authority to the Trustee as an investment of moneys therein shall be valued at the Amortized Value, plus the amount of accrued interest, except that securities covered by repurchase agreements shall be valued at market price. Where market prices for obligations held by the Trustee are not readily available, the Trustee may determine the market price for such obligations in such manner as it deems reasonable. To the extent that moneys are invested pursuant to an Investment Agreement, such Investment Agreement shall be valued at par, unless the provider of the Investment Agreement is in default of its payments thereunder in which case it shall be valued as provided in the immediately preceding sentence.

At the direction of an Authorized Officer, the Trustee shall sell outright or pursuant to a repurchase agreement at the best price reasonably obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. When transferring moneys from one Fund or Account to another, investments need not be liquidated, and all or a portion of such invested moneys may be credited to a particular Fund or Account from another.

### **Issuance of Additional Obligations**

So long as any Bonds are Outstanding, the Authority covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness (other than additional Series of Bonds) which will be secured by a superior or equal charge or superior or equal lien on the amounts pledged under the Indenture or will be payable, on an equal or superior basis, from any of the Funds or Accounts established and created by or pursuant to the Indenture. The Authority may, however, issue evidences of indebtedness (including general obligations of the Authority) not issued and secured under the Indenture.

### **Supplemental Indentures**

Any of the provisions of the Indenture may be amended by the Authority by a Supplemental Indenture with the consent of (i) the holders of not less than a majority in aggregate Principal Amount of the Bonds then outstanding at the time such consent is given and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the holders of not less than a majority in aggregate principal amount of the Bonds of the particular Series Outstanding affected at the time of such consent is given, shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such indentures supplemental hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indentures; provided however, that except as set forth in the last paragraph under this heading or in the case of consent given by all of the holders of the Bonds then Outstanding, no such modification or amendment may permit (i) an extension of the maturity or mandatory sinking fund redemption date of the principal of or the time for payment of the interest on any Bond issued under the Indenture, (ii) a reduction in the principal amount of any Bond or the rate of interest (except as otherwise provided in a Supplemental Indenture), or sinking fund redemption requirements, thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the

aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

For the purposes of the above paragraph, Bonds of any particular Series shall be deemed to be affected by a modification or amendment of the Indenture if the same materially or adversely affects or diminishes the rights of the holders of Bonds of such Series. The Trustee, relying upon Counsel's opinion, may determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by a modification or amendment of the Indenture, and any such determination shall be binding and conclusive on the Authority and all holders of Bonds. With respect to matters affecting the security for the Bonds, the Trustee may conclusively rely upon written evidence from each Rating Agency that a change will not adversely affect the Rating on the Outstanding Bonds.

Notwithstanding anything contained in the foregoing paragraphs, with the consent of all of the holders of all the Bonds then Outstanding, the terms and provisions of the Indenture, and the rights and obligations of the Authority and the holders of the Bonds, in any particular, may be modified or amended in any respect upon the execution by the Authority and filing in accordance with the provisions of a Supplemental Indenture of the Authority making such modification or amendment; provided, however, that no such modification or amendment shall change or modify any of the rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

In addition, the Authority may enter into an agreement with any Bondholder restricting one or more rights of such Bondholder, provided that such agreement shall affect only such Bondholder (or assigns) and such agreement shall not grant such Bondholder any rights or privileges not afforded other Bondholders.

Notwithstanding anything in this paragraph to the contrary, the Authority may not modify or supplement the Indenture as described in “—Debt Service Fund” with respect to a Series of Bonds insured by a policy of municipal bond insurance without the prior written consent of the applicable provider of such municipal bond insurance.

The Authority may adopt (without the consent of any Owners of the Bonds) Supplemental Indentures to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable, not materially adverse to the security of the Bondholders and not contrary to or inconsistent with the Indenture as theretofore in effect.

## **Events of Default**

Events of Default specified in the Indenture include (i) interest on any of the Bonds is not paid on any date when due or the principal of any Bonds is not paid at maturity or the redemption price of any Bond is not paid at a redemption date at which such Bonds have been called for redemption, (ii) if there is a default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture, in any Supplemental Indenture or in the Bonds contained, and such default is not remedied within 60 days after notice thereof pursuant to the Indenture, or (iii) the Authority files a petition seeking a

composition of indebtedness under the federal bankruptcy laws or under any applicable law or statute of the United States of America or of the State, or if the State has limited or altered the rights of the Authority pursuant to the Act, as in force on the date of the Indenture, to fulfill the terms of any agreements made with the holders of Bonds or in any way impaired the rights and remedies of holders of Bonds while any Bonds are Outstanding.

## **Remedies**

Upon the occurrence of any Event of Default, the Trustee in its own name may pursue, and upon the written request of the Owners of not less than a majority in aggregate Principal Amount of the Bonds then outstanding, must pursue, any available remedy under the Act, at law or in equity, to enforce the payment of the principal of, premium, if any, and interest on the Bonds then Outstanding, and any other creditors secured hereunder, including, without limitation, the following:

(iv) The Trustee may declare the principal amount of all Bonds Outstanding and the interest accrued thereon to be immediately due and payable, whereupon such principal amount and interest shall thereupon become immediately due and payable, if an Event of Default pursuant to clause (i) under “—Events of Default” above;

(v) The books and records of the Authority relating to the Bonds shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, but only to the extent that such inspection and use does not challenge, in the Authority’s discretion, the confidentiality of such books and records as well as other related communications of the Authority; and

(vi) The Authority, whenever the Trustee shall demand, will account as if it were the trustee of an express trust for all money, securities and Funds and Accounts pledged or held under the Indenture for such period as shall be stated in such demand.

## **Application Moneys After Default**

All moneys received by the Trustee pursuant to any right given upon an Event of Default or action taken under the allowed actions for remedy of such Event of Default, following the satisfaction of any payments due the Trustee under the Indenture, be deposited in the Revenue Fund and all moneys in the Revenue Fund (other than moneys held for redemption of Bonds duly called for redemption) shall be applied as described below.

Unless the principal amount of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied in the following order of priority:

(vii) To the payment to the persons entitled thereto of all interest then due on the Bonds, in the order of the maturity of such interest and, if the amount available shall not be sufficient to pay in full said amount, then to the payment ratably, according to the amounts due to the persons entitled thereto, without any discrimination or privilege;

(viii) To the payment to the persons entitled thereto of the unpaid principal amount of any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the

provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due at the rate borne by the Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

(ix) To be held for the payment to the persons entitled thereto as the same shall become due of the principal amount of and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

If the principal amount of all the Bonds shall have become or shall have been declared due, all such moneys shall be applied; first, to the payment of the principal amount and interest then due and unpaid upon the Bonds, without preference or priority of principal amount over interest or of interest over principal amount, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever all principal amounts of and interest on all Bonds have been paid and all fees, expenses and charges of the Trustee and any Paying Agent have been paid, any balance remaining in the Revenue Fund shall be paid to the Authority.

### **Discharge of Lien**

If the Authority shall pay or cause to be paid, or there shall otherwise be paid or provision for payment made, to the holders of the Bonds the principal amount of, premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein, then unless there shall be delivered to the Trustee a Certificate to the contrary, these presents and the estate and rights hereby granted shall cease, determine and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to release the lien hereof, and reconvey, release, assign and deliver unto the Authority any and all the estate, right, title and interest in and to any and all rights or property assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture, except cash held by the Trustee or any Paying Agent for the payment of the principal amount of, premium, if any, and interest on any Series of Bonds.

Any Bond shall be deemed to be paid within the meaning of this subheading “— Discharge of Lien” and for all purposes of the Indenture and any Supplemental Indenture when payment of the principal amount of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made in accordance with the terms thereof or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (a) moneys sufficient to make such payment and/or (b) Federal Obligations (which may be subject to redemption prior to maturity

only if such terms of redemption do not adversely affect the Rating of the Bonds) maturing as to principal and interest in such amount and at such time as will ensure the availability of sufficient moneys to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Federal Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instruction:

(x) stating the date when the principal amount (and premium, if any) of each such Bond is to be paid, whether at maturity or on a redemption date;

(xi) to call for redemption pursuant to the Indenture (and at such times as notice thereof may be given in accordance with the Indenture) any Bonds to be redeemed prior to maturity pursuant to in clause (b) of the preceding paragraph hereof; and

(xii) to mail, as soon as practicable, in the manner prescribed by the Indenture, a notice to the holders of such Bonds and to each Rating Agency that the deposit required by clause (b) of the preceding paragraph above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal amount or redemption price, if applicable, on said Bonds as specified in (i) hereof and, if a maturity date is stated, whether or not such Bonds continue to be subject to redemption.

All moneys so deposited with the Trustee as provided above may at the direction of the Authority also be invested and reinvested in Federal Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Federal Obligations in the hands of the Trustee pursuant to the Indenture which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Revenue Fund as and when realized and collected for such an application as are other moneys deposited in such Fund.

Notwithstanding any provision of the Indenture which may be contrary to the provisions of this subheading of “—Discharge of Lien,” all moneys or Federal Obligations set aside and held in trust pursuant to the provisions of this subheading of “—Discharge of Lien” for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and Federal Obligations have been so set aside in trust.

Anything in “—Supplemental Indentures” above to the contrary notwithstanding, if moneys or Federal Obligations have been deposited or set aside with the Trustee pursuant to this subheading of “—Discharge of Lien” for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this heading “—Discharge of Lien” shall be made without the consent of the holder of each Bond affected thereby.

## **TAX MATTERS**

### **General**

In the opinion of Bond Counsel, under existing laws, regulations, rulings, and judicial decisions, interest on the Series 2009A Bonds is includable in the gross income of the holders thereof for federal income tax purposes. The owners of the Series 2009A Bonds, by accepting such Series 2009A Bonds, have agreed to treat the Series 2009A Bonds as indebtedness. The Authority will treat the Series 2009A Bonds as a financing reflecting the Series 2009A Bonds as its indebtedness for tax and financial accounting purposes. See Appendix A, "FORM OF BOND COUNSEL OPINION."

Holders of the Series 2009A Bonds should consult with their tax advisor regarding other federal income tax consequences of holding the Series 2009A Bonds, including, but not limited to, market discount or premium, deductibility of investment interest expense, sale or exchange of the Series 2009A Bonds, backup withholding, state and local taxation, tax-exempt investors, foreign investors, and ERISA.

### **Treasury Circular 230 Disclosure**

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that (a) any discussion of U.S. federal tax issues in this Official Statement is not intended by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

### **Illinois Taxes**

Under the Illinois Housing Development Act, in its present form, income from the Series 2009A Bonds is exempt from all taxes of the State or its political subdivisions, except for estate, transfer and inheritance taxes. The Series 2009A Bonds and the income therefrom may be subject to taxation under the laws of states other than the State.

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

From time to time, there are legislative proposals in the Congress of the United States and the various states that, if enacted, could alter or amend the federal and state tax matters referred to herein and adversely affect the market value of the Series 2009A Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, would apply to bonds issued prior to the enactment. In addition, regulatory actions are, from time to time, announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2009A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2009A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2009A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are

based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2009A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives, or litigation.

## **LEGAL MATTERS**

The approving opinion of Kutak Rock LLP, Chicago, Illinois, Bond Counsel, will be delivered with the Series 2009A Bonds. The proposed form of that opinion is included in this Official Statement as Appendix A. Certain legal matters will be passed upon for the Authority by its General Counsel, Mary R. Kenney, Esq., and by its special counsel, Mayer Brown LLP, 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 Series 2009A Bonds or which in any way contests the validity of the Series 2009A 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 Series 2009A 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 Series 2009A Bonds, of the Authority.

## **RATINGS**

The Series 2009A Bonds have received ratings of “Aaa” and “AAA”, respectively, from Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”). Ratings assigned to the Series 2009A 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 that have been assigned to the Series 2009A 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 Series 2009A Bonds.

## **FINANCIAL MANAGEMENT POLICY**

The Authority’s management of funds under its control is governed by the Act and the Authority’s Financial 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 Financial Management Policy (the "Financial Management Policy"), contains the following stated objectives:

- Safety of principal. Preservation and safety of principal is the foremost objective of the Authority's investments. 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. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demand.
- 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 Financial Management Policy establishes guidelines for the use and management of all interest rate risk management agreements including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively, "Risk Management Agreements") executed in connection with debt obligations.

### **CONTINUING DISCLOSURE**

In connection with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, the Authority has agreed to provide to certain parties certain annual financial information and operating data and notices of certain material events (the "Continuing Disclosure Undertaking"). A summary of that Continuing Disclosure Undertaking is included as Appendix B to this Official Statement. This undertaking may be enforced by any beneficial or registered owner of the Series 2009A Bonds, but the Authority's failure to comply with this undertaking will not be a default under the Indenture.

In addition, the Authority has agreed to file annually, within 180 days after the close of each Fiscal Year, financial statements for such Fiscal Year. The financial statements shall be 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 700, 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 Series 2009A Bonds. The execution and distribution of this Official Statement have been duly authorized by the Authority.

**ILLINOIS HOUSING DEVELOPMENT  
AUTHORITY**

---

Executive Director

## APPENDIX A

### PROPOSED FORM OF OPINION OF BOND COUNSEL

January 12, 2010

Illinois Housing Development Authority  
401 North Michigan Avenue, Suite 700  
Chicago, Illinois 60611

\$184,080,000

Illinois Housing Development Authority  
Multifamily Initiative Bonds, Series 2009A

We have acted as Bond Counsel in connection with the issuance by the Illinois Housing Development Authority (the "Authority") of \$184,080,000 aggregate principal amount of its Multifamily Initiative Bonds, Series 2009A (the "Series Bonds"). The Series Bonds are authorized to be issued pursuant to the Illinois Housing Development Authority Act, 20 ILCS 3805/1 *et seq.*, as amended (the "Act"), and under and pursuant to the Trust Indenture, dated as of December 1, 2009 (the "Trust Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), resolutions of the Authority authorizing the issuance and sale of bonds to finance multifamily mortgage loans, and the Supplemental Indenture dated as of December 1, 2009 (the "Supplemental Indenture"), between the Authority and the Trustee. The Trust Indenture and the Supplemental Indenture are sometimes collectively referred to herein as the "Indenture."

The Series Bonds are being issued to fund additional Mortgage Loans to acquire, construct or rehabilitate multifamily residential housing located in the State of Illinois (the "State"). The Series Bonds, as well as any additional bonds to be issued under the Trust Indenture (collectively, the "Bonds"), are equally and ratably secured by the Indenture unless otherwise specified in a supplemental indenture or by the Authority pursuant to the provisions thereof. Assuming the United States Department of Treasury pays for the Series Bonds on the date hereof, the Series Bonds will be issued on the date hereof.

The Series Bonds are dated, mature in the years, in the respective principal amounts and bear interest at the rates per annum (subject to conversion) set forth in the Supplemental Indenture. The Series Bonds are also subject to redemption prior to maturity upon the terms and conditions and at the redemption prices provided in the Indenture.

In rendering this opinion we have reviewed the Indenture and certain other documents, certificates and other materials delivered in connection with the issuance of the Series Bonds.

Based on the foregoing it is our opinion that:

(o) The Authority is a legally existing body politic and corporate of the State and has the right and power under the Act to adopt the Indenture and to authorize, issue and deliver the Series Bonds.

(p) The Indenture has been duly and lawfully authorized and executed by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Trust Estate (except the Rebate Fund), subject only to the provisions of the Indenture permitting the application of amounts held thereunder for the purposes (including particular series or subseries of Bonds) and on the terms and conditions set forth in the Indenture.

(q) The Series Bonds have been duly authorized, executed, issued and delivered by the Authority in accordance with the Act and the Indenture and constitute valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Act and the Indenture. The Bonds are special limited obligations, and not general obligations, of the Authority payable solely from the revenues, assets or moneys pledged therefor under the Indenture, enforceable in accordance with their terms and the terms of the Indenture, and entitled to the benefit of the Indenture and the Act. The Authority has no taxing power. The Series Bonds are not a debt of the State of Illinois and the State of Illinois is not liable on the Series Bonds. The Series Bonds are not subject to Section 26.1 of the Act.

(r) Assuming compliance by the Authority with certain covenants and certifications contained in the Indenture, under existing laws, regulations, rulings, and judicial decisions, interest on the Series Bonds is includable in the gross income of the holders of the Series Bonds for federal income tax purposes.

(s) Under the Act, in its present form, the income from the Series Bonds is exempt from all taxes of the State of Illinois or its political subdivisions, except for estate, transfer and inheritance taxes.

The opinions we have expressed herein as to the treatment of the Series Bonds or the interest borne thereon for federal income tax purposes and for state tax purposes are based upon statutes, regulations, and court decisions in effect on the date hereof. We undertake no obligation to update the contents of this opinion on any future date. Each purchaser of the Series Bonds should consult his or her tax advisor regarding any changes in the status of any pending or proposed legislation.

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (a) any discussion of U.S. federal tax issues in this opinion is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

The rights of the owners of the Series Bonds, and the enforceability of the Series Bonds and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series Bonds and the Indenture by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law that may occur after that date.

Very truly yours,

## APPENDIX B

### SUMMARY OF THE CONTINUING DISCLOSURE UNDERTAKING OF THE AUTHORITY

Undertaking. The Authority shall make all required filings and reports so that all requirements of Rule 15c2-12(b)(5) (the “Rule”) of the United States Securities and Exchange Commission (“SEC”), as amended from time to time, are met with respect to the Series 2009A Bonds.

Annual Financial Information. Each year the Authority shall provide annual financial information concerning the Series 2009A Bonds to the Municipal Securities Rulemaking Board (the “MSRB”) via its Electronic Municipal Market Access (“EMMA”) System and to any entity designated by the State of Illinois as a state information depository (“State Depository”) for purposes of the Rule. 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, 2009. Copies of the annual financial information shall also be made available to any beneficial owner of Series 2009A Bonds upon written 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 may include any or all information by incorporating, by specific reference, other documents which have been provided to the MSRB and the State Depository, if any. If the incorporated information is in an Official Statement, it must be available from the MSRB. The annual financial information shall include a notice of any change in the Authority’s fiscal year.

Reporting Significant Events. Upon the occurrence of any of the following events with respect to the Series 2009A Bonds, if material, the Authority shall report the event in a timely manner to the State Depository, if any, and to the MSRB:

- 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 the tax-exempt status of the Series 2009A Bonds;
- vii. modifications to rights of Owners of the Series 2009A Bonds;
- viii. bond calls;

- ix. defeasances;
- x. release, substitution, or sale of property securing repayment of the Series 2009A 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 Depository, if any, and to the MSRB of any failure timely to provide the annual financial information as provided in this Summary.**

Enforcement. The undertaking of the Authority described in this summary shall be solely for the benefit of the beneficial owners of the Series 2009A Bonds from time to time, and shall create no right in anyone else. It may be enforced by any beneficial owner of Series 2009A Bonds. The sole remedy with respect to the Authority's compliance with its undertaking described in this summary shall be to require compliance. 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.

Termination. The obligation of the Authority described in this summary shall terminate if the Authority shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2009A Bonds. The Authority shall give notice of termination in a timely manner to the MSRB, and to the State Depository, if any.

Amendment and Waiver. The Authority may amend the undertakings described in this summary, and any provision of the undertaking may be waived, if: (i) the amendment or waiver is being made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; (ii) the undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2009A Bonds, as determined by a party unaffiliated with the Authority (such as bond counsel) at the time of the amendment. Any such amendment shall be described in the next annual financial information.