

This Preliminary Official Statement and any information contained herein are subject to completion and amendment. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2006A Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2006**

**(DAC BOND LOGO)**

**NEW ISSUE - FULL BOOK-ENTRY**

**RATINGS: See "RATING" herein**

*In the opinion of Bond Counsel, assuming continuing compliance by the Issuer with certain tax covenants, interest on the 2006A Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and judicial decisions. Interest on the 2006A Bonds will be an item of tax preference and thus is included in alternative minimum taxable income for purposes of the alternative minimum tax imposed on individuals and corporations. See "TAX EXEMPTION" herein. In the opinion of Bond Counsel, the 2006A Bonds and the interest thereon are exempt from taxation under the laws of the State, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.*

**HOUSING FINANCE AUTHORITY OF PINELLAS COUNTY, FLORIDA**

**Single Family Housing Revenue Bonds  
(Multi-County Program)**

**(HFA LOGO)**

**\$20,000,000\* 2006 Series A-1 (AMT)**

**Single Family Housing Subordinated Revenue Bonds  
(Multi-County Program)**

**\$250,000\* 2006 Series A-2 (AMT)**

**Dated: Date of Delivery**

**Due: as shown on inside cover**

The Housing Finance Authority of Pinellas County, Florida (the "Issuer") is issuing its \$20,000,000\* Single Family Housing Revenue Bonds, 2006 Series A-1 (AMT) (Multi-County Program) (the "2006A-1 Bonds") as Senior Bonds (as defined herein) under the Master Indenture (as defined herein) on a parity with existing Senior Bonds, and its \$250,000\* Single Family Housing Subordinated Revenue Bonds, 2006 Series A-2 (AMT) (Multi-County Program) as Subordinated Bonds (as defined herein) under the Master Indenture (the "2006A-2 Bonds," and together with the 2006A-1 Bonds, the "2006A Bonds"). The 2006A Bonds are being issued only as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of beneficial interests in the 2006A Bonds will be made in book-entry form only, in the Principal Amount of \$5,000 or any integral multiple thereof with respect to all 2006A Bonds. Purchasers of beneficial interests in the 2006A Bonds will not receive physical delivery of certificates. Transfers of beneficial interests in the 2006A Bonds will be effected through the DTC book-entry system as described herein. Interest on the 2006A Bonds is payable on each March 1 and September 1, commencing September 1, 2006. As long as Cede & Co. is the registered owner as nominee of DTC, payment of principal of, interest, and premium, if any, with respect to the 2006A Bonds will be made directly to such registered owner which will, in turn, remit such payments to DTC Participants (as defined herein) and Indirect Participants (as defined herein)

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\* Preliminary, subject to change.

for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY ONLY SYSTEM" herein.

The 2006A Bonds are subject to special mandatory, extraordinary optional, mandatory, mandatory sinking fund and optional redemption in whole, or in part, prior to maturity in accordance with the terms described herein. See "THE 2006A BONDS - Redemption Provisions" herein.

THE ISSUER HAS NO TAXING POWER. THE 2006A BONDS SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE ISSUER, PINELLAS COUNTY, FLORIDA (THE "COUNTY"), THE STATE OF FLORIDA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE ISSUER, THE COUNTY OR THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH, REVENUES, CREDIT OR TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2006A BONDS. THE 2006A BONDS ARE PAYABLE, AS TO PRINCIPAL, PREMIUM, IF ANY, AND INTEREST, SOLELY AS PROVIDED IN THE INDENTURE (AS DEFINED HEREIN). THE 2006A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY AGENCY THEREOF, GNMA, FANNIE MAE, OR FHLMC AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

This cover page contains certain information for quick reference only. It is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The 2006A Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approving legal opinion of Bryant Miller Olive, Tallahassee, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Johnson, Pope, Bokor, Ruppel & Burns, LLP, Clearwater, Florida, and for the Underwriters by their counsel, Greenberg Traurig, P.A., Orlando, Florida. It is expected that the 2006A Bonds will be delivered in book-entry form through the facilities of DTC in New York, New York on or about April \_\_, 2006.*

**RBC CAPITAL MARKETS**

**GEORGE K. BAUM & COMPANY**

**CITIGROUP**

Dated: \_\_\_\_\_, 2006

**MATURITY DATES, PRINCIPAL AMOUNTS,  
INTEREST RATES AND INITIAL CUSIPS**

**\$2,275,000\* 2006 Series A-1 (AMT) Serial Bonds**

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Initial CUSIP<sup>^</sup></u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial CUSIP<sup>^</sup></u>
September 1, 2007	\$100,000			September 1, 2012	120,000		
March 1, 2008	105,000			March 1, 2013	125,000		
September 1, 2008	105,000			September 1, 2013	125,000		
March 1, 2009	105,000			March 1, 2014	130,000		
September 1, 2009	105,000			September 1, 2014	130,000		
March 1, 2010	110,000			March 1, 2015	135,000		
September 1, 2010	110,000			September 1, 2015	140,000		
March 1, 2011	110,000			March 1, 2016	140,000		
September 1, 2011	115,000			September 1, 2016	145,000		
March 1, 2012	120,000						

\$1,615,000\* – \_\_\_% 2006A-1 (AMT) Term Bond due September 1, 2021\* – CUSIP \_\_\_\_\_<sup>⊥</sup>

\$2,030,000\* – \_\_\_% 2006A-1 (AMT) Term Bond due September 1, 2026\* – CUSIP \_\_\_\_\_<sup>⊥</sup>

\$2,560,000\* – \_\_\_% 2006A-1 (AMT) Term Bond due September 1, 2031 - CUSIP \_\_\_\_\_<sup>⊥</sup>

\$8,000,000\* – \_\_\_% 2006A-1 (AMT) Premium Term Bond due September 1, 2036\* - CUSIP \_\_\_\_\_<sup>⊥</sup>

\$3,520,000\* – \_\_\_% 2006A-1 (AMT) Term Bond due March 1, 2037\* - CUSIP \_\_\_\_\_<sup>⊥</sup>

\$250,000\* – \_\_\_% 2006A-2 (AMT) Subordinated Term Bond due March 1, 2037\* - CUSIP \_\_\_\_\_<sup>⊥</sup>

(Original Issue Price of all 2006A Bonds other than 2006A-1 Premium Term Bond is 100%; Original Issue Price of the 2006A-1 Premium Term Bond is \_\_\_%)

(Accrued interest to be added as applicable)

\* Preliminary, subject to change.

<sup>⊥</sup> The Issuer shall not be responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

**MEMBERS OF THE  
HOUSING FINANCE AUTHORITY OF PINELLAS COUNTY, FLORIDA**

Rodney S. Fischer  
**Chairman**

Tasker Beal, Jr.  
**Vice Chairman**

Mark T. Mahaffey  
**Secretary/Treasurer**

Norris E. Counts  
**Member**

June Cullen  
**Member**

**Executive Director**  
Darlene J. Kalada

**Issuer Counsel**  
Johnson, Pope, Bokor, Ruppel & Burns, LLP  
Clearwater, Florida

**Bond Counsel**  
Bryant Miller Olive  
Tallahassee, Florida

**Financial Advisor**  
CSG Advisors Incorporated  
Alpharetta, Georgia

**Trustee**  
U.S. Bank National Association  
Ft. Lauderdale, Florida

**Program Administrator/Service**  
U.S. Bank N.A.  
Bedford, Ohio

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The Subsidiaries (as defined herein) assume no responsibility for the accuracy or completeness of the information contained in this Official Statement and none of the information contained in this Official Statement has been obtained from the Subsidiaries.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE 2006A BONDS 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 ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE 2006A BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE ISSUER, THE SERVICER (AS DEFINED HEREIN) AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE BUT HAS NOT BEEN INDEPENDENTLY VERIFIED AND IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE HEREOF.

ALL SUMMARIES HEREIN OF DOCUMENTS AND AGREEMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS AND AGREEMENTS, AND ALL SUMMARIES HEREIN OF THE 2006A BONDS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE FORM THEREOF INCLUDED IN THE INDENTURE AND THE PROVISIONS WITH RESPECT THERETO INCLUDED IN THE AFORESAID DOCUMENTS AND AGREEMENTS.

IN CONNECTION WITH THE OFFERING OF THE 2006A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2006A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE 2006A BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES MAY HAVE BEEN REGISTERED, QUALIFIED OR

EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE MERITS OR SAFETY OF THE 2006A BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE ISSUER FOR PURPOSES OF RULE 15c2-12 ISSUED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15c2-12(B)(1).

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**OFFICIAL STATEMENT**  
relating to

**HOUSING FINANCE AUTHORITY OF PINELLAS COUNTY, FLORIDA**

**Single Family Housing Revenue Bonds**  
**(Multi-County Program)**  
**\$20,000,000\* 2006 Series A-1 (AMT)**

**Single Family Housing Subordinated Revenue Bonds**  
**(Multi-County Program)**  
**\$250,000\* 2006 Series A-2 (AMT)**

**INTRODUCTION**

This Official Statement of the Housing Finance Authority of Pinellas County, Florida (the "Issuer") is provided for the purpose of setting forth certain information in connection with the initial issuance, sale and delivery of its \$20,000,000\* Single Family Housing Revenue Bonds, 2006 Series A-1 (AMT) (Multi-County Program) (the "2006A-1 Bonds") and its \$250,000\* Single Family Housing Subordinated Revenue Bonds, 2006 Series A-2 (AMT) (Multi-County Program) (the "2006A-2 Bonds," and together with the 2006A-1 Bonds, the "2006A Bonds"). Certain capitalized terms that are used and not otherwise defined in this Official Statement shall have the definitions ascribed to them in "APPENDIX A - DEFINITIONS OF CERTAIN TERMS" attached hereto.

The 2006A Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 1998, as amended and supplemented (the "Master Indenture"), between the Issuer and U.S. Bank National Association formerly known as U.S. Bank Trust National Association (successor to SouthTrust Bank, National Association), as trustee (the "Trustee"), as further supplemented pursuant to a 2006A Supplemental Indenture of Trust dated as of April 1, 2006, between the Issuer and the Trustee (the "2006A Supplement"). The Master Indenture, as supplemented pursuant to the 2006A Supplement, and as further supplemented in accordance with its terms, is referred to herein as the "Indenture."

The 2006A-1 Bonds will be issued as Senior Bonds (the "2006A Senior Bonds") under the Master Indenture, secured by the Pledged Property on a parity basis with all Senior Bonds issued heretofore or hereafter. See "SECURITY FOR THE 2006A BONDS - Pledged Property" herein. The 2006A-2 Bonds will be issued as Subordinate Bonds under the Master Indenture, secured, on a subordinate basis, by the Pledged Property. The Issuer may issue, from time to time, Additional Parity Subordinate Bonds on a parity basis with the 2006A-2 Bonds and any Additional Parity Subordinate Bonds issued hereafter. The Issuer has previously issued Single Family Housing Revenue Bonds as Senior Bonds and Single Family Housing Subordinated Bonds as Subordinated Bonds under the Master Indenture. See "APPENDIX B – HOUSING FINANCE AUTHORITY OF PINELLAS COUNTY, FLORIDA SINGLE FAMILY HOUSING REVENUE BOND PROGRAM OUTSTANDING BONDS TABLE" attached hereto. The

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\* Preliminary, subject to change.

Issuer may issue additional series of Senior Bonds under the Indenture that are secured by the Pledged Property on a parity basis with the 2006A Senior Bonds and the Senior Bonds heretofore issued. The Issuer may issue Short Term Bonds under the Indenture, which may or may not have a lien on the Pledged Property and, if secured by a lien, such lien may or may not be on a parity with the lien securing Senior Bonds. Senior Bonds may or may not have a lien on the security for Short Term Bonds. Short Term Bonds may be refunded as Senior Bonds. The Issuer may also issue additional series of Subordinated Bonds under the Indenture on a parity with the Series 2006A-2 Bonds, junior in right of payment to the Senior Bonds.

The 2006A Bonds are subject to special mandatory, extraordinary optional, mandatory, mandatory sinking fund and optional redemption in whole, or in part, prior to maturity in accordance with the terms in the manner described herein. See "THE 2006A BONDS - Redemption Provisions" herein.

The 2006A Bonds are being issued to (a) refund and replace certain bonds and other indebtedness of the Issuer and thereby providing funds to finance, purchase or acquire 2006A Guaranteed Mortgage Securities and Subordinated Mortgages, as applicable (as defined in the Indenture) make deposits in amounts, if any, required or authorized by the 2006A Supplement to be paid into Funds or Accounts (as defined in the Master Indenture) and (b) provide additional funds to finance, purchase or acquire 2006A Guaranteed Mortgage Securities and 2006A Whole Mortgage Loans (as defined herein) and make deposits in amounts, if any, required or authorized by the 2006A Supplement to be paid into the aforesaid Funds or Accounts. The 2006A Program includes Home Key Loans, Home Key 2<sup>nd</sup> Loans and Home Key Plus 2<sup>nd</sup> Loans. See "THE 2006A PROGRAM" herein. 2006A Mortgage Loans will be purchased by the Servicer from the Lenders and pooled into 2006A Guaranteed Mortgage Securities which will be purchased by the Trustee and held for the benefit of the holders of the 2006A Bonds and any other Senior Bonds issued under the Indenture.

The 2006A-2 Bonds are being issued to provide funds for down payment and closing cost loans secured by whole loan second mortgages (the "2006A Whole Mortgage Loans") all of which will be made to qualified persons or families in the Area of Operation. The second mortgages will be purchased by the Trustee and held for the benefit of the holders of the 2006A Bonds and any other Subordinate Bonds that are issued on a parity with the 2006A-2 Bonds. The whole loan second mortgages will be serviced by the Servicer and mortgagors will be required to make a single monthly payment for the first and second mortgages.

Each of Pasco and Polk Counties, Florida has created a Housing Finance Authority which are collectively referred to herein as "Subsidiaries." Each such Subsidiary has entered into a separate interlocal agreement with the Issuer pursuant to which such Subsidiary consents to the issuance of the 2006A Bonds and agrees to the administration of the 2006A Program by the Issuer. Approvals rendered by the Subsidiaries with respect to the 2006A Bonds and the 2006A Program shall not be construed as a recommendation by any of them to prospective investors to purchase the 2006A Bonds and none of the Subsidiaries shall have any responsibility to investors with respect to the 2006A Bonds.

A brief description of the Issuer, its previous single family mortgage programs, the 2006A Bonds, the security for the 2006A Bonds, GNMA, the GNMA Program, Fannie Mae, the

Fannie Mae Program, FHLMC, The FHLMC Mortgage Backed Securities Program, the 2006A Program, the Servicer and the Indenture are included in this Official Statement. The summaries herein do not purport to be complete and are qualified in their entireties by reference to such documents, agreements and programs as may be referred to herein, and the summaries herein of the 2006A Bonds are further qualified in their entireties by reference to the form of the 2006A Bonds included in the Indenture and the provisions with respect thereto included in the aforesaid documents, copies of which are available for inspection at the principal corporate trust office of the Trustee.

## **THE 2006A BONDS**

### **Description of the 2006A Bonds**

The 2006A Senior Bonds will be issued as Senior Bonds under the Indenture. The 2006A-2 Bonds will be issued as Subordinate Bonds under the Indenture. The 2006A Bonds will be dated the date of delivery, shall bear interest at the rates and mature on the dates and in the amounts as set forth on the inside cover of this Official Statement. The 2006A Bonds are issuable in book-entry form only, without coupons, in denominations of \$5,000 or any integral multiple thereof and will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), as securities depository for the 2006A Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. The Principal Amount of and premium, if any, on the 2006A Bonds will be payable upon presentation and surrender at the designated corporate trust office of the Trustee, in Fort Lauderdale, Florida or its successor.

Interest on the 2006A Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2006. Interest on the 2006A Bonds is payable by check or draft mailed by the Trustee to the owner thereof at its address as it appears on the bond register maintained by or on behalf of the Issuer as of the close of business on the 15th day (whether or not a Business Day) of the month preceding any Interest Payment Date (the "Record Date") without regard to any transfer or exchange of such 2006A Bond after such day, unless the Issuer shall default in the payment of interest due on such 2006A Bond on such Interest Payment Date. If the Issuer shall default in the payment of interest due on any 2006A Bond, such defaulted interest shall be payable to the owner in whose name such 2006A Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the owners of such 2006A Bond not less than five days after such special record date. Such notice shall be mailed to the owners in whose names such 2006A Bonds are registered at the close of business on the 5th day (whether or not a Business Day) preceding the date of mailing. Owners of 2006A Bonds in an aggregate Principal Amount of at least \$1,000,000 may arrange for payment of interest on such 2006A Bonds by electronic transfer of funds as provided in the Indenture.

The 2006A Bonds shall bear interest from the Interest Payment Date next preceding their date of registration and authentication unless any such 2006A 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 2006A Bond is registered and authenticated prior to \_\_\_\_\_ 15, 2006, in which event any such 2006A Bond shall bear interest from its

applicable dated date, or unless a 2006A Bond is registered and authenticated on a date which is after the applicable Record Date and before the next ensuing Interest Payment Date, in which case it shall bear interest from such next ensuing Interest Payment Date, or unless, as shown by the records of the Trustee, interest on the 2006A Bonds shall be in default, in which event such 2006A Bond shall bear interest from the date to which interest was last paid on any such 2006A Bond.

## **Redemption Provisions**

*Special Mandatory Redemption.* The 2006A-1 Bonds are subject to special mandatory redemption prior to their stated maturities, in whole or in part, on May 1, 2007\* (or such later date if the Delivery Period is extended as provided in the Indenture), and on any date designated by the Issuer prior thereto, but in no event prior to September 1, 2007, with moneys then on deposit in the 2006A Acquisition Account (exclusive of the 2006A Whole Mortgage Loan Subaccount and the 2006A SHIP Funds Subaccount and after taking into account any Guaranteed Mortgage Securities anticipated to be purchased by the Trustee after such date based on notification from the Servicer) by the date which is fifteen (15) days prior to the date of such mandatory redemption, provided that, in the event that less than \$250,000 of funds remain on deposit in the 2006A Acquisition Account (exclusive of the 2006A Whole Mortgage Loan Subaccount and the 2006A SHIP Funds Subaccount), such funds can, at the written direction of the Issuer, be transferred to the Revenue Fund rather than be used for a special mandatory redemption. The redemption price for a special mandatory redemption described in this paragraph shall be equal to the Original Issue Price, plus accrued interest to the date of redemption.

The Series 2006A-2 Bonds are subject to special mandatory redemption on May 1, 2007\* (or on such later date if the Delivery Period is extended as provided in the 2006A Supplement, and on any date designated by the Issuer prior thereto, but in no event prior to September 1, 2007), to the extent that any funds (rounded down to the next lower \$5,000 amount) remain on deposit in the 2006A Whole Mortgage Loan Subaccount on April 15, 2007\* (or such later or earlier date that is the 15<sup>th</sup> day of the month preceding the special mandatory redemption date) after taking into account any 2006A Whole Mortgage Loans anticipated to be purchased after such date based on notification from the Servicer. The redemption price for a special mandatory redemption described in this paragraph shall be equal to the Original Issue Price, plus accrued interest to the date of redemption.

Unexpended funds remaining in the 2006A Capitalized Interest Account, representing the unused portion of moneys deposited by the Issuer shall be transferred by the Trustee to the Issuer pursuant to the 2006A Supplement.

Unexpended funds remaining in the 2006A SHIP Funds Subaccount of the 2006A Acquisition Account shall be transferred by the Trustee to the Issuer on the final date of

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\* Preliminary, subject to change.

special mandatory redemption (as described above), unless otherwise directed in writing by the Issuer.

In the event of any special mandatory redemption of the 2006A-1 Bonds, the 2006A Bonds to be redeemed shall be selected by the Trustee as follows:

The funds on deposit in the 2006A Acquisition Account (not including the 2006A Whole Mortgage Loan Subaccount, the 2006A SHIP Funds Subaccount and any mortgage certificate held as an investment in accordance with the 2006A Supplement) shall be used to redeem 2006A-1 in the following manner. The amount of 2006A Premium Term Bonds to be redeemed shall be determined by dividing the amount on deposit in the 2006A Bond Premium Subaccount by \_\_%, and then rounding to the nearest \$5,000 amount. The funds remaining after being allocated to the redemption of the 2006A Premium Term Bonds shall be used to redeem 2006A-1 Bonds other than the 2006A Premium Term Bonds rounded to the nearest \$5,000 amount on a pro rata basis among maturities and by lot within a maturity. In redeeming 2006A Premium Term Bonds pursuant to this paragraph, the premium portion of the redemption price of the 2006A Premium Term Bonds shall be paid from funds on deposit in the 2006A Bond Premium Subaccount. Accrued interest on such 2006A-1 Bonds shall be paid first from funds on deposit in the 2006A Revenue Account and second from the 2006A Capitalized Interest Account.

In the event of any special mandatory redemption of the 2006A-2 Bonds, to the extent any funds remain on deposit in the 2006A Whole Mortgage Loan Subaccount, such funds shall be used to redeem 2006A-2 Bonds. Accrued interest on the 2006A-2 Bonds shall be paid first from funds on deposit in the 2006A Revenue Account and second from the 2006A Capitalized Interest Account.

Following the final special mandatory redemption provided for above, the Trustee is required to transfer all amounts remaining in the 2006A Acquisition Account (excluding unexpended funds remaining in the 2006A SHIP Funds Subaccount) to the 2006A Revenue Account. Unexpended funds remaining in the 2006A SHIP Funds Subaccount shall be transferred to the Issuer by the Trustee pursuant to the Indenture unless directed otherwise in writing by the Issuer at least twenty (20) days prior to the final special mandatory redemption date.

The redemption price for a special mandatory redemption shall be equal to the Original Issue Price, plus accrued interest to the date of redemption. In no event shall the Issuer direct that the date of any special mandatory redemption be later than forty-two (42) months from the date of original issuance of the 2006A Bonds, or, in the case of a refunding, the date of original issuance of the refunded bonds, unless the Issuer shall have received an opinion of Bond Counsel to the effect that the failure to redeem 2006A Bonds on such dates in such amounts shall not adversely affect the exclusion of the interest on the 2006A Bonds from the gross income of the owners thereof for federal income tax purposes.

**It is possible that a substantial portion of the 2006A Bonds may be called for special mandatory redemption at the Original Issue Price thereof, plus accrued interest because of non-origination of 2006A Mortgage Loans. See "GNMA PROGRAM – 2006A GNMA Certificates," "FANNIE MAE PROGRAM – 2006A Fannie Mae Securities," "THE FHLMC MORTGAGE BACKED SECURITIES PROGRAM – FHLMC Certificates," "PROGRAM ASSUMPTIONS, BONDHOLDERS' RISKS AND OTHER FACTORS" and "PREVIOUS SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS" herein.**

*Extraordinary Optional Redemption from Prepayments and Surplus Pledged Receipts (Cross Calling).* Subject to the 2006A Supplement with respect to 2006A Prepayments and 2006A Surplus Pledged Receipts and subsequent to the payment, in full, of the 2006A Premium Term Bond, the 2006A Bonds are subject to extraordinary optional redemption prior to their stated maturities as a whole or in part at any time at the option of the Issuer, as provided in an Officer's Certificate upon which the Trustee may conclusively rely, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, to the extent Prepayments from other series of Bonds or other excess revenues under the Master Indenture are transferred from the Revenue Fund or the Accumulation Fund to the 2006A Special Redemption Account.

The principal amount of each maturity of the 2006A Bonds to be redeemed pursuant to the preceding paragraph shall be selected in the discretion of the Issuer from among any or all of the then existing maturities. Such selection of 2006A Bonds and direction to redeem said 2006A Bonds shall be subject to a rating confirmation and be provided in an Officer's Certificate to the Trustee at least forty-five (45) days prior to the desired extraordinary optional redemption date.

*Mandatory Redemption from 2006A Prepayments.* The 2006A-1 Bonds are subject to mandatory redemption prior to their stated maturities as a whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium, on any Interest Payment Date, and at any time at the written direction of the Issuer, on or after September 1, 2007, to the extent there are 2006A Prepayments (prepayments from 2006A Mortgage Loans and, after no 2006A-2 Bonds remain outstanding, prepayments on 2006A Whole Mortgage Loans) which are transferred from the 2006A Revenue Account or funds from the 2006A Accumulation Account, after the 2006A-2 Bonds are no longer outstanding (or from other sources in amounts equal to such moneys) and deposited to the 2006A Special Redemption Account.

The Issuer will direct the Trustee to undertake monthly redemptions of 2006A Bonds on the first day of any month (but not before September 1, 2007) for which adequate notice of redemption may be given, if (a) the amount on deposit in the 2006A Special Redemption Account exceeds \$250,000\*, and (b) as of the Interest Payment Date preceding the proposed date of redemption, the Outstanding principal amount of all 2006A-1 Bonds is below the applicable 400%\* PSA Outstanding Amount for 2006A Bonds as shown below. The Issuer may revoke such direction at any time.

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\* Preliminary, subject to change.

Subject to the 2006A Supplement, on or after September 1, 2007, with respect to 2006A Prepayments, such moneys (or from sources in amounts equal to such moneys) shall be transferred to the 2006A Special Redemption Account and used to redeem 2006A-1 Bonds.

In redeeming the 2006A-1 Bonds, the 2006A Prepayments shall be applied to redeem the 2006A-1 Bonds at the time Outstanding in the following manner:

(a) FIRST, for so long as the 2006A Premium Term Bonds remain Outstanding, all such 2006A Prepayments deposited to the 2006A Special Redemption Account shall be applied to redeem the 2006A Premium Term Bonds until the amount of 2006A Premium Term Bonds Outstanding are equal to the amounts set forth in the 100% PSA Outstanding Bonds Amount for 2006A Premium Term Bond (shown below);

(b) SECOND, after applying amounts as described in (a) above, all remaining 2006A Prepayments then credited to the 2006A Special Redemption Account shall be applied on a pro rata basis among the remaining maturities of the 2006A-1 Bonds (other than the 2006A Premium Term Bonds) and by lot within each maturity until the Outstanding principal amount of all 2006A-1 Bonds has been reduced to the applicable 400%\* PSA Outstanding Bonds Amount (shown below); and

(c) THIRD, following application of 2006A Prepayments as described in (a) and (b) above, all remaining 2006A Prepayments then credited to the 2006A Special Redemption Account shall be applied to redeem, on a pro-rata basis by lot, all maturities of the 2006A-1 Bonds including the 2006A Premium Term Bonds.

As referenced above, 2006A Prepayments used to redeem 2006A-1 Bonds (other than the 2006A Premium Term Bonds) shall be applied on a pro-rata basis among all remaining maturity of the 2006A-1 Bonds and by lot within each maturities unless otherwise directed by the Issuer and upon receipt of a confirmation of the rating on the 2006A Bonds by the Rating Agency and an opinion of Bond Counsel that such direction will not materially adversely affect the exclusion of the interest on the 2006A-1 Bonds from gross income of the holders for federal income tax purposes. Application of the 2006A Prepayments for use in redeeming 2006A Premium Term Bonds shall be as directed in the 2006A Supplement.

The Outstanding Bond Amounts as shown below are subject to interpolation in the event the 2006A Bonds are redeemed pursuant to a mandatory redemption on a date other than an Interest Payment Date, in which case the Outstanding Bond Amount as of the applicable redemption date will be determined by straight-line interpolation (based on actual days) between the Outstanding Bond Amounts for the Interest Payment Dates immediately preceding and succeeding such redemption date.

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\* Preliminary, subject to change.

**TABLE OF OUTSTANDING BOND AMOUNTS\***

<b>Date</b>	<b>100% PSA Outstanding Bond Amount for 2006A Premium Term Bonds</b>	<b>400% PSA Outstanding Bond Amount for 2006A-1 Bonds</b>
March 1, 2007	\$8,000,000	\$20,000,000
September 1, 2007	7,815,000	19,310,000
March 1, 2008	7,440,000	18,245,000
September 1, 2008	7,040,000	16,770,000
March 1, 2009	6,535,000	14,980,000
September 1, 2009	5,960,000	13,040,000
March 1, 2010	5,360,000	11,245,000
September 1, 2010	4,795,000	9,680,000
March 1, 2011	4,245,000	8,325,000
September 1, 2011	3,720,000	7,130,000
March 1, 2012	3,210,000	6,095,000
September 1, 2012	2,720,000	5,190,000
March 1, 2013	2,260,000	4,415,000
September 1, 2013	1,815,000	3,740,000
March 1, 2014	1,390,000	3,155,000
September 1, 2014	970,000	2,640,000
March 1, 2015	585,000	2,195,000
September 1, 2015	210,000	1,810,000
March 1, 2016	-	1,480,000
September 1, 2016		1,205,000
March 1, 2017		970,000
September 1, 2017		770,000
March 1, 2018		595,000
September 1, 2018		450,000
March 1, 2019		325,000
September 1, 2019		215,000
March 1, 2020		120,000
September 1, 2020		45,000
March 1, 2021		-

\* Preliminary, subject to change.

The Table of Outstanding Bond Amounts set forth above is derived from the assumptions that (a) the estimated timing of purchases of 2006A Guaranteed Mortgage Securities is consistent with that used to calculate yield on the 2006A Bonds and the yield on the 2006A Mortgage Loans, (b) the 2006A Mortgage Loan prepayment speed is equal to 100% PSA and 400% \* PSA, as applicable, (c) the 2006A-1 Bonds subject to mandatory sinking fund redemption are redeemed from sources other than 2006A Prepayments, and (d) 2006A Surplus Pledged Receipts are applied in accordance with the 2006A Supplement.

The amounts set forth in the 100% PSA Outstanding Bond Amount for 2006A Premium Term Bonds for each period shall be reduced on a reasonably proportionate basis by multiplying each amount by a fraction, the numerator of which will be the amount of any special mandatory redemption of the 2006A-1 Premium Term Bond and the denominator of which will be \$\_\_\_\_\_.

The amounts set forth in the 400% \* PSA Outstanding Bond Amount for 2006A-1 Bonds for each period shall be reduced on a reasonably proportionate basis by multiplying each amount by a fraction, the numerator of which will be the amount of any special mandatory redemption of 2006A-1 Bonds and the denominator of which will be \$\_\_\_\_\_.

Mandatory Redemption from Prepayments on 2006A Whole Mortgage Loans. For so long as the 2006A-2 Bonds remain Outstanding, on any Interest Payment Date on or after September 1, 2007 all Prepayments on the 2006A Whole Mortgage Loans or funds from the 2006A Accumulation Account deposited in the 2006A Whole Mortgage Loan Subaccount in the 2006A Revenue Account and transferred to the 2006A Special Redemption Account shall be applied to redeem the 2006A-2 Bonds prior to their stated maturity date in whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium. When the 2006A-2 Bonds are no longer outstanding all Prepayments on the 2006A Whole Mortgage Loans shall be applied to redeem the 2006A-1 Bonds as described above.

Mandatory Redemption from 2006A Surplus Pledged Receipts. The 2006A Bonds are subject to mandatory redemption prior to their stated maturities in whole or in part at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, without premium, on any Interest Payment Date on or after September 1, 2007, to the extent of 2006A Surplus Pledged Receipts, as follows: (a) FIRST, to the redemption of 2006A Premium Term Bonds, after applying the mandatory redemption described above, so that the Outstanding principal amount of the 2006A Premium Term Bond equals the 100% PSA 2006A Premium Term Bonds Schedule as of such Interest Date; (b) SECOND, to the extent there are 2006A Surplus Pledged Receipts remaining and adequate funds are otherwise available under the Indenture to pay the scheduled payments of principal and interest on all Senior Bonds then Outstanding that is due on such Interest Payment Date, such funds shall be used to provide funds to the 2006A Subordinate Debt Service Reserve Account (if necessary) and then to pay the scheduled principal and interest on 2006A-2 Bonds (if necessary) and then to redeem the 2006A-2 Bonds; (c) THIRD, once no 2006A-2 Bond remains Outstanding, the 2006A Surplus

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\* Preliminary, subject to change.

Pledged Receipts shall be used to redeem the 2006A-1 Bonds (other than the 2006A Premium Term Bond) on a pro rata basis among the remaining maturities of the 2006A-1 Bonds (other than the 2006A Premium Term Bond) and by lot within each maturity; and (d) FOURTH, at such time as no 2006A-2 Bond or 2006A-1 Bond (other than the 2006A Premium Term Bond) remains Outstanding, the 2006A Surplus Pledged Receipts shall be used to redeem the 2006A Premium Term Bond regardless of the Outstanding balance of the 2006A Premium Term Bond. At such time as no 2006A-2 Bond or 2006A Premium Term Bond remains Outstanding, then 2006A Surplus Pledged Receipts shall be released to the Issuer following each Interest Payment Date so long as the 2006A Asset Parity Test is satisfied as of each such Interest Payment Date, unless the Issuer directs that such 2006A Surplus Pledged Receipts be used to redeem any Bonds then Outstanding.

In addition, if on any date the sum of money (other than (a) moneys derived from the sale of 2006A Guaranteed Mortgage Securities and 2006A Whole Mortgage Loans, and (b) the 2006A Surplus Pledged Receipts) in the 2006A Revenue Account, the 2006A Special Redemption Account, the 2006A Rebate Account, the 2006A Debt Service Account, the 2006A Capitalized Interest Account and the 2006A Administration Account (but only with respect to moneys allocated to the 2006A Bonds) equals or exceeds the aggregate principal amounts of the outstanding 2006A Bonds, plus unpaid accrued interest to the redemption date, the 2006A Bonds shall be redeemed from such moneys (or from other sources in amounts equal to such moneys), as provided in an Officer's Certificate on the next date for which notice can be given, in whole, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the redemption date; provided, however, prior to such redemption, all unpaid Trustee Fees, Rebate Analyst Fees and expenses, and unpaid Rebate Requirement with respect to the 2006A Bonds shall be paid or on deposit with the Trustee.

*Sinking Fund Redemptions.* The 2006A-1 Term Bonds maturing on September 1, 2021, September 1, 2026, September 1, 2031, March 1, 2037 and the 2006A-1 Premium Term Bond maturing on September 1, 2036 and the 2006A-2 Bonds are subject to Sinking Fund redemption in part at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon without premium on the dates and in the principal amounts set forth below:

**2006A-1 Term Bond Maturing September 1, 2021**

<u>Redemption Dates</u>	<u>Principal Amounts</u>
March 1, 2017	\$145,000
September 1, 2017	150,000
March 1, 2018	150,000
September 1, 2018	155,000
March 1, 2019	160,000
September 1, 2019	165,000
March 1, 2020	165,000
September 1, 2020	170,000
March 1, 2021	175,000
September 1, 2021*	180,000

\*Final Maturity

### 2006A-1 Term Bond Maturing September 1, 2026

<u>Redemption Dates</u>	<u>Principal Amounts</u>
March 1, 2022	\$180,000
September 1, 2022	190,000
March 1, 2023	190,000
September 1, 2023	195,000
March 1, 2024	200,000
September 1, 2024	205,000
March 1, 2025	210,000
September 1, 2025	215,000
March 1, 2026	220,000
September 1, 2026*	225,000

\*Final Maturity

### 2006A-1 Term Bond Maturing September 1, 2031

<u>Redemption Dates</u>	<u>Principal Amounts</u>
March 1, 2027	\$230,000
September 1, 2027	235,000
March 1, 2028	240,000
September 1, 2028	245,000
March 1, 2029	250,000
September 1, 2029	255,000
March 1, 2030	270,000
September 1, 2030	275,000
March 1, 2031	275,000
September 1, 2031*	285,000

\*Final Maturity

### 2006A-1 Term Bond Maturing March 1, 2037

<u>Redemption Dates</u>	<u>Principal Amounts</u>
March 1, 2032	\$290,000
September 1, 2032	300,000
March 1, 2033	305,000
September 1, 2033	315,000
March 1, 2034	325,000
September 1, 2034	330,000
March 1, 2035	340,000
September 1, 2035	345,000
March 1, 2036	355,000
September 1, 2036	365,000
March 1, 2037*	250,000

\*Final Maturity

## 2006A-1 Term Bond Maturing September 1, 2036

<u>Redemption Dates</u>	<u>Principal Amounts</u>	<u>Redemption Dates</u>	<u>Principal Amounts</u>
September 1, 2007	\$55,000	September 1, 2022	\$125,000
March 1, 2008	55,000	March 1, 2023	130,000
September 1, 2008	60,000	September 1, 2023	135,000
March 1, 2009	60,000	March 1, 2024	135,000
September 1, 2009	65,000	September 1, 2024	140,000
March 1, 2010	65,000	March 1, 2025	145,000
September 1, 2010	65,000	September 1, 2025	150,000
March 1, 2011	70,000	March 1, 2026	150,000
September 1, 2011	70,000	September 1, 2026	155,000
March 1, 2012	70,000	March 1, 2027	160,000
September 1, 2012	75,000	September 1, 2027	165,000
March 1, 2013	75,000	March 1, 2028	170,000
September 1, 2013	80,000	September 1, 2028	175,000
March 1, 2014	80,000	March 1, 2029	180,000
September 1, 2014	85,000	September 1, 2029	185,000
March 1, 2015	85,000	March 1, 2030	185,000
September 1, 2015	85,000	September 1, 2030	190,000
March 1, 2016	90,000	March 1, 2031	200,000
September 1, 2016	90,000	September 1, 2031	205,000
March 1, 2017	95,000	March 1, 2032	210,000
September 1, 2017	95,000	September 1, 2032	215,000
March 1, 2018	100,000	March 1, 2033	220,000
September 1, 2018	100,000	September 1, 2033	225,000
March 1, 2019	105,000	March 1, 2034	230,000
September 1, 2019	105,000	September 1, 2034	240,000
March 1, 2020	110,000	March 1, 2035	245,000
September 1, 2020	115,000	September 1, 2035	250,000
March 1, 2021	115,000	March 1, 2036	255,000
September 1, 2021	120,000	September 1, 2036*	265,000
March 1, 2022	125,000		

\*Final Maturity

### 2006A-2 Term Bond Maturing March 1, 2037

Redemption Dates	Principal Amounts	Redemption Dates	Principal Amounts
September 1, 2007	\$5,000	September 1, 2022	\$5,000
March 1, 2008	-	March 1, 2023	5,000
September 1, 2008	-	September 1, 2023	
March 1, 2009	5,000	March 1, 2024	5,000
September 1, 2009		September 1, 2024	5,000
March 1, 2010	5,000	March 1, 2025	5,000
September 1, 2010		September 1, 2025	
March 1, 2011	5,000	March 1, 2026	5,000
September 1, 2011		September 1, 2026	5,000
March 1, 2012		March 1, 2027	5,000
September 1, 2012	5,000	September 1, 2027	
March 1, 2013		March 1, 2028	5,000
September 1, 2013	5,000	September 1, 2028	5,000
March 1, 2014		March 1, 2029	5,000
September 1, 2014	5,000	September 1, 2029	5,000
March 1, 2015	5,000	March 1, 2030	5,000
September 1, 2015		September 1, 2030	5,000
March 1, 2016	5,000	March 1, 2031	5,000
September 1, 2016	5,000	September 1, 2031	5,000
March 1, 2017	5,000	March 1, 2032	5,000
September 1, 2017		September 1, 2032	5,000
March 1, 2018	5,000	March 1, 2033	5,000
September 1, 2018	5,000	September 1, 2033	5,000
March 1, 2019	5,000	March 1, 2034	5,000
September 1, 2019		September 1, 2034	10,000
March 1, 2020	5,000	March 1, 2035	10,000
September 1, 2020	5,000	September 1, 2035	10,000
March 1, 2021	5,000	March 1, 2036	10,000
September 1, 2021		September 1, 2036	10,000
March 1, 2022	5,000	March 1, 2037*	5,000

\*Final Maturity

To the extent that any 2006A Bonds subject to mandatory sinking fund redemption have been previously called for redemption, and have been paid from any source other than from mandatory sinking fund payments, each mandatory sinking fund payment for such 2006A Bonds shall be reduced on a reasonably proportionate basis as provided in the Indenture.

*Optional Redemption.* The 2006A Bonds maturing on or after September 1, 2015\*, are subject to redemption from any source of available funds, at the option of the Issuer, in whole or in part on any date on or after March 1, 2015\* in minimum aggregate principal amounts of \$100,000 and integral multiples of \$5,000 in excess of \$100,000 at the redemption prices equal

\* Preliminary, subject to change.

to the principal amount being so redeemed, together with accrued interest to the date of redemption.

The 2006A Bonds may at the direction of the Issuer, be redeemed in whole or in part on any date on or after March 1, 2015\*, at the redemption prices provided above, if proceeds of the sale of all or a portion of the 2006A Guaranteed Mortgage Securities and the 2006A Whole Mortgage Loans, together with other available moneys on deposit with the Trustee will be sufficient to redeem the applicable 2006A Bonds to be so redeemed in accordance with the Indenture and to pay redemption premiums, if any, expenses of such redemption and any unpaid 2006A Trustee Fees, Rebate Analyst Fees and expenses and Rebate Requirement (as defined in the Indenture).

At the direction of the Issuer, the 2006A Bonds may be redeemed in whole or in part on any date, at a redemption price equal to the Original Issue Price thereof, plus accrued interest to the redemption date, from moneys in the 2006A Acquisition Account in the event of a termination of the 2006A Investment Agreement applicable to funds held in the 2006A Acquisition Account as a result of default under the 2006A Investment Agreement and pursuant to the Indenture.

There shall be no partial optional redemption of the 2006A Bonds unless the Rating Agency is provided with cash flow projections using assumptions and scenarios acceptable to the Rating Agency and sufficient to maintain the then current rating on the 2006A Bonds. If required by the Rating Agency, such cash flow projections shall be verified by a firm of independent certified public accountants or financial consultants approved by the Issuer. Such cash flow projections must indicate that, after giving effect to the proposed redemption, sufficient 2006A Pledged Receipts will be available in all semiannual periods ending on each Interest Payment Date to meet expenses and debt service requirements on the 2006A Bonds and that available assets of the 2006A Program are equal to or greater than liabilities of the 2006A Program on each Interest Payment Date. The Trustee may conclusively rely upon the Rating Agency's confirmation in connection with a partial optional redemption of any 2006A Bond.

#### **Manner of Selection of 2006A Bonds for Redemption in Part**

With respect to any partial redemption described above under "Extraordinary Optional Redemption" or "Optional Redemption," 2006A Bonds to be redeemed will be selected by the Trustee at the discretion of the Issuer from among any or all of the then outstanding maturities; provided, however, that if the Issuer elects to redeem in any manner other than on a proportionate basis among maturities, the Issuer must first obtain a rating confirmation. In the event the Issuer fails to make such selection or determination, such 2006A Bonds shall be redeemed on a proportionate basis from among all of the remaining maturities then outstanding. So long as the 2006A Bonds are registered in the name of a nominee of DTC and less than all of a particular maturity are to be redeemed, any selection as to the Beneficial Owners of the 2006A Bonds affected thereby will be made by DTC or its Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

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\* Preliminary, subject to change.

In order to effect redemptions of less than all of the 2006A Bonds, the Trustee is required to assign to each selected 2006A Bond of greater than \$5,000 denomination, a distinctive number for each \$5,000 of the principal amount thereof, so as to distinguish each such portion from each other portion of the 2006A Bonds subject to such redemption.

### **Redemption Notice and Payments**

The Trustee shall give notice of redemption by mailing a redemption notice (a) by first-class mail (certified mail, return receipt requested, to any Owner owning \$1,000,000 in Principal Amount of 2006A Bonds) not less than 30 days (15 days with respect to a special mandatory redemption) and not more than 60 days prior to the date fixed for redemption, to the registered owner of each 2006A Bond to be redeemed as a whole or in part at their last address shown on the registry books maintained by the Trustee, (b) to any Securities Depositories which are owners by certified mail, return receipt requested, tape transfer or modem and (c) as set forth in the Continuing Disclosure Agreement. A second notice of redemption shall be sent to the registered owner of any 2006A Bond who has not presented his 2006A Bond for payment within 55 days after the date fixed for redemption. Failure to give such notice with respect to any of the 2006A Bonds, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other 2006A Bonds.

If, on the redemption date, moneys for the redemption of all the 2006A Bonds or portions thereof to be redeemed, together with interest to the redemption date shall be held by the Trustee so as to be available on the redemption date and if notice of redemption shall have been given as provided in the Indenture, interest on the 2006A Bonds or portions thereof thus called shall no longer accrue after the date fixed for redemption.

Any notice of redemption may be conditioned upon the deposit of sufficient funds to pay the 2006A Bonds subject to redemption on the redemption date.

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

*The information in this caption concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and neither the Issuer nor the Underwriters makes any representation or warranty or take any responsibility for the accuracy or completeness of such information.*

DTC, will act as securities depository for the 2006A Bonds. The 2006A 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 2006A Bond certificate will be issued for each maturity of the 2006A Bonds as set forth in the inside cover of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC 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 U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com> and [www.dtc.org](http://www.dtc.org).

Purchases of 2006A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006A 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 2006A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2006A Bonds, except in the event that use of the book-entry system for the 2006A Bonds is discontinued.

To facilitate subsequent transfers, all 2006A 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 the 2006A 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 2006A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006A 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 2006A

Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2006A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2006A Bonds may wish to ascertain that the nominee holding the 2006A 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2006A Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2006A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the 2006A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2006A 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 Issuer or Agent on the payment 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, nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the 2006A Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2006A Bonds at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2006A Bond certificates are required to be printed and delivered. The Issuer may decide to discontinue the use of the system of book entry only transfers through DTC (or a successor securities depository). In that event 2006A Bond certificates will be printed and delivered to DTC.

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## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2006A Bonds are as follows:

### Sources of Funds

2006A-1 (AMT) Senior Bond Proceeds (Par)  
2006A-2 (AMT) Subordinate Bond Proceeds (Par)  
2006A-1 Bond Premium  
Investment Agreement Provider  
County/City SHIP Contribution  
Issuer Contribution

TOTAL

### Use of Funds

2006A Acquisition Account  
    2006A SHIP Funds Subaccount  
    2006A Bond Premium Subaccount  
    2006A Whole Mortgage Loan Subaccount  
2006A Subordinated Debt Service Account  
2006A Capitalized Interest Account  
2006A Cost of Issuance Account  
TOTAL

## SECURITY FOR THE 2006A BONDS

### **Pledged Property**

**The 2006A Bonds do not constitute a debt or general obligation or a pledge of the faith and credit of the State of Florida (the "State") or any political subdivision thereof, including the Issuer and the Subsidiaries, but constitute limited obligations of the Issuer payable solely from the moneys and property specifically pledged to the payment therefor under the 2006A Supplement. None of the Issuer's agreements or obligations under the 2006A Supplement shall be a debt of the State or any political subdivision thereof and neither the State nor any political subdivision thereof shall be liable thereon. The 2006A Bonds shall not constitute an indebtedness of any of the foregoing within the meaning of any constitutional, statutory or charter debt limitation. The Issuer has no taxing power. Neither the governing board of the Issuer, its officers or employees, nor any person executing the 2006A Bonds shall be liable personally on the 2006A Bonds. The 2006A Bonds are not a debt of, or guaranteed by, the United States of America or any agency thereof.**

The 2006A Senior Bonds, and all other Senior Bonds issued heretofore or hereafter are limited obligations of the Issuer, payable solely from and secured by the Pledged Property. The 2006A-2 Bonds, and all other Subordinate Bonds issued heretofore or hereafter are limited obligations of the Issuer payable solely from and secured on a subordinate basis by the Pledged

Property. "Pledged Property" is defined in the Master Indenture to mean (a) the proceeds of sale of the 2006A Bonds, (b) all right, title and interest of the Issuer in and to the Guaranteed Mortgage Securities and in and to all Mortgage Loans (including Program Related Loans to the extent provided in a Series Supplement) and related mortgage notes and mortgages (subject to the prior right of mortgagors to receive mortgage payment credits, or the U.S. Treasury Department to receive rebates, as required by the Code), financed with the proceeds of the 2006A Bonds, and delivered to the Trustee to be held in trust under the Indenture, including: (i) the present and continuing right to make claim for, collect, receive and receipt for all amounts receivable by the Issuer thereunder, (ii) to bring actions and proceedings under the mortgage notes and related mortgages or for the enforcement thereof, and (iii) to do any and all things that the Issuer is or may become entitled to do under the mortgage notes and related mortgages; (c) the Pledged Receipts, excluding funds on deposit in the 2006A SHIP Funds Subaccount, in the 2006A Rebate Account, but including interest earned thereon, (d) the Supplemental Security, (e) all the rights and interests of the Issuer in and to all Credit Facilities entered into with respect to any Bonds (except Convertible Option Bonds) and all moneys and payments derived therefrom (except to the extent provided in a Series Supplement), (f) all other moneys in all Funds and Accounts created or established by, or maintained pursuant to, the Indenture (except (i) moneys in the Rebate Fund, the Cost of Issuance Fund or the Administration Fund, (ii) any Remarketing Account, to the extent held therein to pay the purchase price of Tender Bonds, (iii) any funds available to make all or a portion of certain Mortgage Loans from SHIP funds or other funds provided by the Issuer, (iv) and any other Account as provided pursuant to a Series Supplement (including, for example, for payment to the purchaser of a portion of the principal or interest component of specific Mortgage Loans or Guaranteed Mortgage Securities), including the investments therein and the proceeds of such investments, if any, and the earnings on such investments until applied in accordance with the terms of the Indenture) and (g) the money, securities and funds and all other right of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security under the Indenture.

Security for the 2006A-2 Bonds shall be secured by the Pledged Property on a junior and subordinate basis to the 2006A Senior Bonds.

### **Additional Bonds**

Pursuant to the Indenture, the Issuer may issue one or more additional Series of Bonds on a parity or subordinate basis to the Outstanding Bonds from time to time. The aggregate Principal Amount of Senior Bonds or Subordinated Bonds which may be issued under the Indenture is not limited except as may be provided in the Indenture, in any Series Supplement or in the Act. Among the conditions precedent set forth in the Indenture to the issuance of additional Series of Senior Bonds are delivery by the Issuer to the Trustee of:

(a) a Cash Flow Statement giving effect to the proposed issuance of such additional Series of Bonds;

(b) the amounts, if any, necessary for deposit in the Debt Service Reserve Fund and the Mortgage Reserve Fund such that the amounts on deposit in such Funds shall be at least equal to the Debt Service Reserve Fund Requirement and the Mortgage Reserve Fund

Requirement, respectively, calculated as of the date and time immediately after the delivery of such Series of Bonds;

(c) a rating letter confirming the rating of such series of additional Bonds in the highest rating category by the Rating Agency; provided, however, that this requirement shall not be applicable to the issuance of an additional Series of Subordinated Bonds or Convertible Option Bonds, which Subordinated Bonds or Convertible Option Bonds may be unrated or rated in a lower rating category so long as a rating confirmation is received to the effect that the rating or ratings on all Outstanding Bonds will not be lowered as a result of the issuance of such Subordinated Bonds or Convertible Option Bonds; and

(d) a Counsel's Opinion as required by the Indenture.

Subordinated Bonds may be issued pursuant to a subsequent Supplemental Indenture that will be on a parity with the 2006A-2 Bonds, as Additional Parity Subordinate Bonds. Any series of Additional Parity Subordinate Bonds shall have an equal right to the 2006A Pledged Receipts which are pledged on a junior and subordinate basis to the 2006A-2 Bonds pursuant to the 2006A Supplement, together with the Pledged Receipts pledged by such subsequent Supplemental Indenture to the series of Additional Parity Subordinate Bonds, and the 2006A-2 Bonds shall, upon the issuance of a series of Additional Parity Subordinate Bonds, share, on a parity lien basis, the Pledged Receipts pledged to such Additional Parity Subordinate Bonds. Any series of Additional Subordinate Bonds shall be rated by the Rating Agency then rating the 2006A-2 Bonds and any Additional Parity Subordinate Bonds theretofore issued at the same rating category and gradient as the then Outstanding 2006A-2 Bonds and Additional Parity Subordinate Bonds. Notwithstanding the foregoing, the Issuer may issue one or more series of Subordinate Bonds which are not Additional Parity Subordinate Bonds.

Refunding Bonds and Subordinated Bonds may be issued and delivered upon certain conditions described in the Indenture.

### **Investment Agreements**

Simultaneously with the delivery of the 2006A Bonds, the Trustee expects to enter into an investment agreement with respect to the 2006A Acquisition Account in the 2006A Program Fund, including the 2006A Bond Premium Subaccount, the 2006A SHIP Funds Subaccount and the 2006A Whole Mortgage Loan Subaccount (the "Acquisition Account Investment Agreement") with [ ] (the "Acquisition Account Investment Agreement Provider"). The Acquisition Account Investment Agreement Provider will pay interest on the amounts invested under the Acquisition Account Investment Agreement at the rate of \_\_\_% per annum until the business day prior to May 1, 2007\* or earlier date of complete withdrawal or other termination.

In addition, the Trustee expects to enter into an investment agreement with [ ] (the "General Investment Agreement Provider" and, together with the Acquisition Account Investment Agreement Provider, the "Investment Agreement Provider") for

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\* Preliminary, subject to change.

the investment of funds on deposit in the 2006A Revenue Account, 2006A Debt Service Account, 2006A Subordinated Debt Service Reserve Account, 2006A Special Redemption Account, the 2006A Optional Redemption Account and the 2006A Capitalized Interest Account (the "General Investment Agreement"). The General Investment Agreement Provider will pay interest on the amounts invested under the General Investment Agreement at the rate of \_\_\_% per annum until the business day prior to March 1, 2037\* or earlier date of complete withdrawal or other termination.

The obligations of the Investment Agreement Providers to repay the amounts invested with interest at the specified rates will be an absolute and unconditional unsecured general obligation of each Investment Agreement Provider.

As set forth in the Indenture, investment agreements must be provided or guaranteed by entities whose debt obligations, at the time such investment agreements are executed, meet certain rating requirements imposed by the Rating Agency. If the debt obligations of the Investment Agreement Providers or any guarantor, or the investment agreement provider or guarantor with respect to any other Senior Bonds, are downgraded by the Rating Agency below such rating requirements, the ratings on the 2006A Bonds may be lowered or withdrawn.

*Investment Agreements Related to Outstanding Senior Bonds.* Certain Funds or Accounts created under the Indenture have been invested with investment agreement providers in connection with the issuance of an Outstanding Series of Senior Bonds. The following table shows the Funds or Accounts invested in connection with each such Series, the investment provider and the investment rate.

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\* Preliminary, subject to change.

<b>Series</b>	<b>Fund or Account Invested</b>	<b>Investment Provider</b>	<b>Investment Rate</b>
1998A	Float Fund	CDC Funding Corp. (guaranteed by Caisse des Dépôts et Consignation, a special national legislative public instrument {établissement public a statu légal spécial} governed by French Administrative law)	5.425%
1998C	Float Fund	Float Fund Trinity Funding Company LLC	5.68
1999A	Float Fund	CDC Funding Corp (guaranteed by Caisse des Dépôts et Consignation, a special national legislative public instrument {établissement public a statu légal spécial} governed by French Administrative law)	4.90
1999B	Float Fund	AIG Matched Funding Corp. (guaranteed by American International Group, Inc.)	6.06
2000A	Float Fund	CDC Funding Corp (guaranteed by Caisse des Dépôts et Consignation, a special national legislative public instrument {établissement public a statu légal spécial} governed by French Administrative law)	6.45
2000B	Float Fund	Trinity Funding Company LLC	6.35
2001A	Float Fund	Trinity Funding Company LLC	5.59
2001B	Float Fund	Trinity Funding Company LLC	5.75
2002A	Float Fund	AIG Matched Funding Corp. (guaranteed by American International Group, Inc.)	5.32
2002B	Float Fund	Grand Central Funding Corporation	4.75
2003A	Float Fund	Trinity Funding Company LLC	3.95
2003B	Float Fund	Transamerica Life Insurance and Annuity Company	4.10
2004A	Float Fund	AIG Matched Funding Corp.	3.92
2005A	Acquisition Fund	Pallas Capital Corp.	3.25
	Float Fund	Pallas Capital Corp.	3.85
2005B	Acquisition Fund	Pallas Capital Corp.	4.05
	Float Fund	Pallas Capital Corp.	3.85

### **GNMA PROGRAM**

GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD") with its principal office in

Washington, D.C. which guarantees privately-issued securities backed by pools of mortgages (the "GNMA Pools").

### **GNMA Commitments**

In order to cause the issuance of GNMA securities, the Servicer must first apply to, and receive from, GNMA, commitments to guarantee securities. A GNMA commitment authorizes the Servicer to issue GNMA securities up to a stated amount during a one-year period from the date of the commitment. The Servicer is required to advance the application fee to GNMA for such commitments.

The amount of commitments to guarantee GNMA securities that GNMA can approve in any federal fiscal year (October 1 through September 30) is limited by statute and administrative procedures. The total annual amount of available commitments is established in federal appropriation acts and related administrative procedures. No assurance can be given that in the future the Servicer will be authorized by GNMA's administrative procedures to submit a request for a GNMA commitment with respect to some or all of the 2006A Mortgage Loans, or that GNMA will have any authority remaining to approve GNMA commitments during the federal fiscal year in which the Servicer submits a request for a GNMA commitment.

The Servicer anticipates that, upon issuance and delivery of the 2006A Bonds, it will have sufficient commitments to issue and deliver for purchase 2006A GNMA Certificates in amounts equal to amounts on deposit in the 2006A Acquisition Account available for such purchase. However, it is not possible to predict what effect, if any, future federal budgetary action may have on the ability of the Servicer to obtain additional GNMA commitments or to issue 2006A GNMA Certificates.

### **2006A GNMA Certificates**

Each GNMA Certificate will be a "fully modified pass-through security and will be backed by a GNMA Pool consisting entirely of level payment 2006A Mortgage Loans with the applicable pass-through rate, in a minimum principal amount of \$250,000, unless a lesser amount is approved by GNMA. Each GNMA Pool will consist of only loans of the same type (*i.e.* only Home Key Loans or Home Key 2nd Loans). The total principal amount of any issue of 2006A GNMA Certificates will not exceed the aggregate unpaid principal balance of the Mortgage Loans in the GNMA Pool backing such issue.

### **Payment of Principal of and Interest on the 2006A GNMA Certificates**

Regular monthly amortization installments on each GNMA Certificate are required to begin no later than the month immediately following the date of issuance of such GNMA Certificate and will be equal to the aggregate amount of the scheduled monthly principal and interest payments on each Mortgage Loan in the GNMA Pool backing the GNMA Certificate, less the servicing and guaranty fee of 50 basis points (.50%) per annum of the outstanding principal balance of the GNMA Certificate. Each GNMA Certificate will be a "fully modified pass-through" security. On and after acquisition of a GNMA Certificate by the Trustee, the Servicer is required to pass through to the Trustee the regular monthly payments on the underlying Mortgage Loans (less certain servicing costs and GNMA fees), whether or not the

Servicer receives such payments on the underlying Mortgage Loans, plus any Prepayments of principal of the Mortgage Loans and Liquidation Proceeds in the event of a foreclosure or other disposition of any Mortgage Loan received by the Servicer during the previous month. The Servicer will make monthly payments directly to the Trustee, as holder of such 2006A GNMA Certificates, on the third (3rd) Business Day following the twentieth (20th) day of each month for GNMA II Certificates and on the fifteenth (15th) day of each month for GNMA I Certificates, all as provided in the Indenture. Upon issuance of the 2006A GNMA Certificates, GNMA will guarantee to the holder of the GNMA Certificate the timely payment of principal of and interest on such 2006A GNMA Certificates. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the 2006A GNMA Certificates. The Treasury is authorized to purchase any obligations so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

## **FANNIE MAE PROGRAM**

### **Mortgage-Backed Securities Program**

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.). Although the Secretary of the Treasury of the United States has certain discretionary authority to purchase obligations of Fannie Mae, neither the United States nor any agency or instrumentality thereof is obligated to finance Fannie Mae's obligations or assist Fannie Mae in any manner.

The obligations of Fannie Mae, including its obligations under 2006A Fannie Mae Securities, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

Fannie Mae has implemented a mortgage backed securities program pursuant to which Fannie Mae issues securities backed by pools of mortgage loans (the "MBS Program"). The terms of the MBS Program are governed by Fannie Mae Guides (the "Fannie Mae Guides"), as modified by the Pool Purchase Contract, and in the case of mortgage loans such as the 2006A Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The MBS Program is further described in a prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"), as updated from time to time.

Copies of the Trust Indenture, the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statements are available without charge from Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: 202/752-7115).

Under the Pool Purchase Contract, Fannie Mae will purchase both Conventional Mortgage Loans eligible under the guidelines set forth in the Fannie Mae Guides and Conventional Mortgage Loans insured under the Community Home Buyer's Program which conform to the conditions set forth in the Pool Purchase Contract. See "THE 2006A PROGRAM" herein for a general description of the Community Home Buyer's Program.

Pursuant to the requirements of the Fannie Mae Guides, the permitted original principal balance of the Conventional Mortgage Loans to be sold to Fannie Mae, is an amount which is substantially higher than the purchase price limitations under the 2006A Program. The 2006A Mortgage Loans to be sold to Fannie Mae must be Conventional Mortgage Loans which meet Fannie Mae's underwriting guidelines and the requirements of a Pool Purchase Contract. Conventional Mortgage Loans with higher loan-to-value ratios, as defined by Fannie Mae, must be insured by a policy of primary mortgage insurance with coverage levels which satisfy the Fannie Mae Guide. The provider of the mortgage insurance must be acceptable to Fannie Mae.

Under the Pool Purchase Contract, any loan-to-value limitation for 2006A Mortgage Loans to be purchased by Fannie Mae will be based upon the lower of (a) the acquisition cost plus rehabilitation cost, if any, of a home, or (b) the appraised value of a home after completion of any rehabilitation. The Pool Purchase Contract will also provide that, in underwriting 2006A Mortgage Loans for the community home buyer's program and other affordable housing programs, certain exceptions will be made from the Fannie Mae Guides for down payment requirements for and determining whether a household's income satisfies the requirements for purchase by Fannie Mae.

The Pool Purchase Contract obligates the Servicer to service the 2006A Mortgage Loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

### **2006A Fannie Mae Securities**

Each Fannie Mae Security will be in a minimum amount of \$250,000 and will represent the entire interest in a specified pool of Conventional Mortgage Loans purchased by Fannie Mae from the Servicer and identified in records maintained by Fannie Mae. Each such pool will consist of only Conventional Mortgage Loans of the same type (i.e. only Home Key Loans).

Fannie Mae will guarantee to the registered holder of the 2006A Fannie Mae Securities that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the Conventional Mortgage Loans in the pool represented by such 2006A Fannie Mae Securities, whether or not received, and the full principal balance of any foreclosed or other finally liquidated Conventional Mortgage Loan, whether or not such principal balance is actually received. The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of 2006A Fannie Mae Securities, would consist solely of payments and other recoveries on the underlying Conventional Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of 2006A Fannie Mae Securities, would be affected by delinquent payments and defaults on such Conventional Mortgage Loans.

## **Payments on Conventional Mortgage Loans; Distributions on 2006A Fannie Mae Securities**

Payments on a Fannie Mae Security will be made on the 25th day of each month (beginning with the month following the month such Fannie Mae Security is issued), or, if such 25th day is not a Business Day, on the first Business Day next succeeding such 25th day. With respect to each Fannie Mae Security, Fannie Mae will distribute to the Trustee an amount equal to the total of (a) the principal due on the Conventional Mortgage Loan in the related pool underlying such Fannie Mae Security during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (b) the stated principal balance of any Conventional Mortgage Loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae's election any Conventional Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest; or because of Fannie Mae's election to repurchase such Conventional Mortgage Loan under certain other circumstances as permitted by the Indenture), (c) the amount of any partial prepayment of a Conventional Mortgage Loan received in the second month next preceding the month of distribution, and (d) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Security as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Security on its issue date).

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

## **THE FHLMC MORTGAGE-BACKED SECURITIES PROGRAM**

### **General**

The following summary of the FHLMC Guarantor Program, the FHLMC Certificates and FHLMC's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to FHLMC's Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, FHLMC's Information Statement, any Information Statement Supplements and any other documents made available by FHLMC. Copies of these documents can be obtained by writing or calling FHLMC's Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (800-336-FMPC). Neither the Issuer nor the Underwriters have or will participate in the preparation of FHLMC's Mortgage Participation Certificates Offering Circular, Information Statement or Supplements.

Information on FHLMC and its financial condition is contained in FHLMCs most current annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are filed with the SEC. The SEC filings are available at the SEC's website at [www.sec.gov](http://www.sec.gov).

The periodic reports filed by FHLMC with the SEC are also available on FHLMC's website at [www.freddiemac.com](http://www.freddiemac.com). Neither the Issuer nor the Underwriters take any responsibility for information contained on the websites.

## **FHLMC**

The Federal Home Loan Mortgage Corporation ('FHLMC') is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended (the 'FHLMC Act'). FHLMC's statutory mission is (i) to provide stability in the secondary market for residential mortgages, (ii) to respond appropriately to the private capital market, (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low-and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and under served areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of FHLMC.

## **FHLMC Guarantor Program**

FHLMC has established a mortgage purchase program pursuant to which FHLMC purchases a group of mortgages from a single seller in exchange for a FHLMC Certificate representing an undivided interest in a pool consisting of the same mortgages (the 'Guarantor Program'). FHLMC approves the institutions that may sell and service mortgages under the Guarantor Program on an individual basis after consideration of factors such as financial condition, operational capability and mortgage origination and/or servicing experience. Most sellers and services are HUD-approved mortgagees or FDIC-insured financial institutions.

## **FHLMC Certificates**

FHLMC Certificates will be mortgage pass-through securities issued and guaranteed by FHLMC under its Guarantor Program. FHLMC Certificates are issued only in book-entry form through the Federal Reserve Banks' book-entry system. Each FHLMC Certificate represents an undivided interest in a pool of mortgages. Payments by borrowers on the mortgages in the pool are passed through monthly by FHLMC to record holders of the FHLMC Certificates representing interests in that pool.

Payments on FHLMC Certificates begin on or about the fifteenth day of the first month following issuance. Each month, FHLMC passes through to record holders of FHLMC Certificates their proportionate share of principal payments on the mortgages in the related pool and one month's interest at the applicable pass-through rate. The pass-through rate for an FHLMC Certificate is determined by subtracting from the lowest interest rate on any of the mortgages in the pool the applicable servicing fee and FHLMC's management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under FHLMC's Guarantor Program

must fall within a range from the pass-through rate on the FHLMC Certificates plus the minimum servicing fee through the pass-through rate plus 250 basis points.

FHLMC guarantees to each record holder of an FHLMC Certificate the timely payment of interest at the applicable pass-through rate on the principal balance of the holder's FHLMC Certificate. FHLMC also guarantees to each holder of an FHLMC Certificate (i) the timely payment of the holder's proportionate share of monthly principal due on the related mortgages, as calculated by FHLMC, and (ii) the ultimate collection of the holder's proportionate share of all principal of the related mortgages, without offset or reduction, no later than the payment date that occurs in the month by which the last monthly payment on the FHLMC Certificate is scheduled to be made.

FHLMC may pay the amount due on account of its guarantee of ultimate collection of principal on a mortgage at any time after default, but not later than 30 days following (i) the foreclosure sale of the mortgaged property, (ii) if applicable, the payment of an insurance or guaranty claim by the mortgage insurer or guarantor, or (iii) the expiration of any right of redemption that the borrower may have, whichever is the last to occur. In no event, however, will FHLMC make payments on account of this guarantee later than one year after an outstanding demand has been made on the borrower for accelerated payment of principal or for payment of the principal due at maturity.

The obligations of FHLMC under its guarantees of the FHLMC Certificates are obligations of FHLMC only. The FHLMC Certificates, including the interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than FHLMC. If FHLMC were unable to satisfy its obligations under its guarantees, distributions on the FHLMC Certificates would consist solely of payment and other recoveries on the related mortgage; accordingly, delinquencies and defaults on the mortgages would affect distributions on the FHLMC Certificates and could adversely affect payments on the Bonds.

### **Mortgage Purchase and Servicing Standards**

All mortgages purchased by FHLMC must meet certain standards established by the FHLMC Act. In addition, FHLMC has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines. These guidelines are designed to determine the value of the real property securing a mortgage and the creditworthiness of the borrower. FHLMC's administration of its guidelines may vary based on its evaluation of and experience with the seller of the mortgages, the loan-to-value ratio and age of the mortgages, the type of property securing the mortgages and other factors.

FHLMC has also established servicing policies and procedures to support the efficient and uniform servicing of the mortgages it purchases. Each servicer must perform diligently all services and duties customary to the servicing of mortgages in a manner consistent with prudent servicing standards. The duties performed by a servicer include collection and remittance of principal and interest to FHLMC; administration of escrow accounts; collection of insurance of guaranty claims; property inspections; and, if necessary, foreclosure. FHLMC monitors services' performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage, FHLMC may attempt to resolve the default through a variety of measures. In determining which measures to pursue with respect to a given mortgage and when to initiate such measures, FHLMC seeks to minimize the costs that may be incurred in servicing the mortgage, as well as FHLMC's possible exposure under its guarantees. However, the measures that FHLMC may choose to pursue to resolve a default will not affect FHLMC's guarantees. In any event, FHLMC generally repurchases from a pool any mortgage that has remained delinquent for at least 120 consecutive days and makes payment of principal to record holders pursuant to FHLMC's guarantee of ultimate collection of principal.

## **THE 2006A PROGRAM**

**[TO BE UPDATED]**

### **2006A Mortgage Loans**

2006A Mortgage Loans will be Home Key Loans, as described below. All 2006A Mortgage Loans will have 0% origination points and 0% discount points and will (a) be secured by first mortgage liens on single family residences in Pinellas, Pasco or Polk Counties, Florida (the "Area of Operation"), (b) provide for payment on the first day of each month, including amounts for deposit in an escrow account to provide for timely payment of taxes and insurance, (c) be assumable only as provided in the 2006A Origination Agreements and applicable FHA, VA or RD regulations with respect to 2006A Mortgage Loans backing 2006A GNMA Certificates, Fannie Mae and Freddie Mac regulations with respect to Conventional Mortgage Loans and (d) be subject to a title insurance policy or a commitment for the issuance of a title policy.

### **2006A Home Key Loans**

The mortgagor may elect to participate in a program allowing the mortgagor to obtain a Home Key Loan which bears interest at \_\_\_% per annum. The 2006A Program is initially structured so that at up to a maximum of \$\_\_\_\_\_ \* is to be made available for the purchase of Home Key Loans. Mortgagors electing to obtain Home Key Loans shall be entitled to an assistance payment in the amount of up to 8.0% of the principal amount of the first mortgage loans of each type, which shall be used by the mortgagor to pay all or a portion of down payment and/or closing costs, including property tax and hazard insurance escrow contributions, in accordance with the regulations of the applicable mortgage insurer, if any. In addition, the Issuer may direct that all or a portion of the funds reserved for the origination of Home Key Loans be used to originate Home Key Plus Loans upon depositing additional funds with the Trustee and upon confirmation of the rating on the 2006A Bonds following delivery of new cash flow schedules and the delivery of a Bond Counsel opinion to the effect that such origination will not cause interest on the 2006A Bonds to no longer be excluded from gross income for purposes of federal income taxation.

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\* Preliminary, subject to change.

**2006A Whole Mortgage Loans;  
2006A Home Key 2<sup>nd</sup> Loans**

Eligible mortgagors may participate in a program (the "Home Key 2<sup>nd</sup> Loan Program") allowing the mortgagor to obtain a Home Key 2<sup>nd</sup> Loan, which bears interest at \_\_\_% per annum. The 2006A Program is initially structured so that a maximum of \$\_\_\_\_\_\* may be originated as Home Key 2<sup>nd</sup> Loans. Up to \$\_\_\_\_\_\* of such amount may be used to purchase Home Key Loans at the direction of the Issuer. For mortgagors to participate in the Home Key 2<sup>nd</sup> Loan Program, they must participate in a comprehensive educational program for first-time homebuyers.

**2006A Home Key Plus 2<sup>nd</sup> Loans**

The mortgagor (if qualified under the additional restriction imposed by the SHIP Regulations, i.e., 80% or less than the area median income based on household income) may elect to participate in a program allowing the mortgagor to obtain a Home Key Plus 2<sup>nd</sup> Loan which bears interest at \_\_\_% per annum. The Servicer shall receive a flat fee of \$150.00 from the closing costs of each Home Key Plus 2<sup>nd</sup> Loan. The Trustee shall purchase the 2006A Whole Mortgage Loans consisting of 2006A Home Key Plus 2<sup>nd</sup> Loans tendered to the Trustee by the Servicer during the Delivery Period by withdrawing funds in accordance with the Indenture. The 2006A Program is initially structured so that a maximum of \$\_\_\_\_\_ may be originated as Home Key Plus 2<sup>nd</sup> Loans. In addition, the Issuer expects to use approximately \$\_\_\_\_\_ to originate Home Key Plus 2<sup>nd</sup> Loans under its existing 2005B Bonds prior to originating Home Key Plus 2<sup>nd</sup> Loans under the 2006A Program. See, "PROGRAM ASSUMPTIONS, BONDHOLDERS' RISKS AND OTHER FACTORS – Additional Bondholders' Risks – Non-origination Calls of 2006A-2 Bonds."

**2006A Certificate Purchase Prices and Pass Through Rates**

The principal component of the Certificate Purchase Price to be paid to the Servicer shall be equal to the following percentages of the principal components of the current principal balance of type of 2006A Mortgage Loans in the Pool represented by such 2006A Guaranteed Mortgage Security. Each 2006A Guaranteed Mortgage Security will bear interest at the Pass-through Rate illustrated in the following table for the respective type of 2006A Mortgage Loan.

<b>Loan Type</b>	<b>GNMA Certificate Certificate Purchase Price</b>	<b>Pass-Through Rate</b>
Home Key Loans	_____%	_____%
<b>Loan Type</b>	<b>Fannie Mae Security Certificate Purchase Price</b>	<b>Pass-Through Rate</b>
Home Key Loans	_____%	_____%

<b>Loan Type</b>	<b>Freddie Mac Security Certificate Purchase Price</b>	<b>Pass-Through Rate</b>
Home Key Loans	_____%	_____%

2006A Whole Mortgage Loans will be purchased from the Servicer at 100% of the current principal amount.

**Income Limits [TO BE UPDATED]**

2006A Mortgage Loans must be made to persons or families of low, moderate or middle income who qualify for such financing based upon the income limits established from time to time by the Issuer. With respect to Home Key Loans, the current Maximum Current Annual Family Incomes for the Area of Operation are as follows:

	<b>Non-Targeted</b>		<b>Targeted</b>	
	<b>1-2 Family Members</b>	<b>3 + Family Members</b>	<b>1-2 Family Members</b>	<b>3 + Family Members</b>
Pasco County	\$52,550	\$60,432	N/A	N/A
Pinellas County	52,550	60,432	\$63,060	\$73,570
Polk County	52,550	60,432	63,060	73,570

Home Key Plus 2<sup>nd</sup> Loans will be made available to homebuyers in Pinellas County earning 80% or less of the median area income based on household size in Pinellas County, as described in the following table:

<b>Household Size</b>	<b>80% Median Income</b>
1 person	\$29,250
2 person	33,400
3 person	37,600
4 person	41,750
5 person	45,100
6 person	48,450
7 person	51,800
8 person	55,100

**Acquisition Price Limits**

Maximum Acquisition Prices as of the date hereof for Home Key Loans originated on new and existing single family residences are as follows:

	<b>Non-Targeted</b>		<b>Targeted</b>	
	<b>New</b>	<b>Existing</b>	<b>New</b>	<b>Existing</b>
Pasco County	\$204,433	\$204,433	N/A	N/A
Pinellas County	204,433	204,433	\$249,862	\$249,862
Polk County	204,433	204,433	249,862	249,862

The Maximum Acquisition Price limitations have been determined, in part, based upon "safe harbor" average area purchase prices and, in part, based upon a purchase price study and may be redetermined by the Subsidiaries from time to time based either upon a purchase price study or "safe harbor" average area purchase prices published by the United States Treasury Department after the date hereof. Acquisition Price limits are also subject to the applicable FHA/VA/RD limits, as applicable, for each in the Area of Operation.

### **Lender Commitments**

Except as set forth below, the Issuer will require each Lender, as a condition to participation in the 2006A Program, to pay to the Issuer a Commitment Fee in connection with its Offer to Originate in an amount equal to one and one eighth percent (1.125%) of its Program Allocation for standard delivery mortgage loans and **[one and five eighths (1.625%)]** for Builder Reservations which Commitment Fee is not refundable except to the extent provided in the 2006A Origination Agreements. In addition, the Issuer will set aside the following pools of allocation: (a) a pool of allocation for the origination of Targeted Area Mortgage Loans, (b) a pool of allocation for spot Mortgage Loans, (c) a pool of allocation for Home Key Plus 2<sup>nd</sup> Loans for Residences located in Pinellas County. The funds reserved for all these pools will be allocated to Lenders on a first-come, first-served basis. The Lenders will not be required to pay a Commitment Fee for funds from the pools described in (a), (b), or (c). However, such Lenders will be reimbursed 1.125% less upon origination and delivery of each mortgage loan originated pursuant to pooled funds described in (a) and (b).

Except as otherwise provided in the 2006A Origination Agreements, for a period of 120 days from the Application Start Date, a portion of the Program Allocation of each Lender may be used only in the amounts and areas for which funds have initially been allocated pursuant to the respective 2006A Origination Agreement. After the 120 day period, each Lender may use the balance of its Program Allocation in the entire Area of Operation during the remainder of the Commitment Period.

Lenders purchasing Program Allocations are required to commit 2006A Mortgage Loans in the principal amount of their Program Allocation by \_\_\_\_\_ 15, 2006 for standard delivery mortgage loans and close and deliver to the Servicer 2006A Mortgage Loans in the principal amount equal to 100% of their Program Allocation within **[85]** days from reservation therefor (**[170]** days from reservation with respect to Builder Mortgage Loans). The Issuer, in its sole discretion may extend the commitment period, reallocate the unused portion to other Lenders or make the unused portion available to Lenders on a pooled, first come first served, reservation basis.

### **The Lenders**

The following Lenders have requested allocation with respect to the 2006A Program. The Issuer will assign Program Allocations to Lenders for which they will pay the appropriate Commitment Fees to the Issuer.

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**Lender Allocations**

**[TO BE UPDATED]**

<b>Lender</b>	<b>Allocation</b>
Pasco County	
American Home Mortgage	
Market Street Mortgage Corp.	
McCaughan Mortgage Co., Inc.	
Total	
Pinellas County	
American Home Mortgage	
Market Street Mortgage Corp.	
McCaughan Mortgage Co., Inc.	
Total	
Polk County	
American Home Mortgage	
Total	
Pooled Funds	
Home Key Plus Pool	
Home Key Spot Pool	
Total	
<b>GRAND TOTAL</b>	

**The Servicer and Servicing the 2006A Mortgage Loans**

The Servicer. THE FOLLOWING INFORMATION ABOUT THE SERVICER RELATES TO AND WAS SUPPLIED BY U.S. BANK N.A. (FORMERLY THE LEADER MORTGAGE COMPANY). SUCH INFORMATION HAS NOT BEEN VERIFIED BY THE ISSUER, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL AND IS NOT GUARANTEED AS TO COMPLETENESS OR ACCURACY BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE ISSUER, THE UNDERWRITERS, THEIR COUNSEL OR BOND COUNSEL.

The Servicer is U.S. Bank N.A., operating by and through its U.S. Bank Home Mortgage – MRBP Division. As of December 31, 2005, the Servicer, operating by and through its U.S. Bank Home Mortgage – MRBP Division, serviced 97,297 single-family mortgage loans with an aggregate principal balance of approximately \$7.206 billion. The Servicer currently services single-family mortgage loans for mutual savings banks, life insurance companies, savings and loan associations and commercial banks, as well as Fannie Mae, GNMA and FHLMC.

As of December 31, 2005, according to its unaudited quarterly financial statements, U.S. Bancorp had total assets of approximately \$209 billion and a net worth of \$20 billion. For the year ending December 31, 2005, the Servicer, through its MRBP Division, originated and

purchased single-family mortgage loans in the total principal amount of approximately \$1.3 billion.

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

The Servicer is not liable for the payment of the principal of the 2006A Bonds or the interest or redemption premium, if any thereon.

On April 1, 2002, U.S. Bank N.A. acquired The Leader Mortgage Company from First Defiance Financial Corp, the sole owner of The Leader Mortgage Company. On June 1, 2004, The Leader Mortgage Company merged into U.S. Bank N.A. and operates by and through its U.S. Bank Home Mortgage – MRBP Division. The holding company for U.S. Bank N.A. is U.S. Bancorp, the 6th largest financial services holding company in the United States.

*Servicing of 2006A Mortgage Loans and 2006A Whole Mortgage Loans.* The Servicer is required to review and determine compliance of each 2006A Mortgage Loan and 2006A Whole Mortgage Loans submitted by the Lenders for purchase with the eligibility guidelines of the 2006A Program and to service the 2006A Mortgage Loans underlying the 2006A Guaranteed Mortgage Securities. The Servicer is to be responsible for servicing the 2006A Mortgage Loans in accordance with FHA, VA or RD regulations, the GNMA Guide and the Fannie Mae and Freddie Mac Guides, as applicable.

With respect to 2006A Mortgage Loans backing GNMA Pools, the monthly remuneration of the Servicer for servicing the GNMA Pools, and the guaranty fee charged by GNMA total 0.50% per annum calculated on the principal balance of each 2006A Mortgage Loan outstanding on the last day of the month preceding such calculation. The servicing and guaranty fees are deducted from payments on the 2006A Mortgage Loans before payments are passed through to the Trustee. GNMA shall have the right to effect and complete the extinguishment of the Servicer's interest in the related 2006A Mortgage Loans, and such related 2006A Mortgage Loans shall thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the 2006A GNMA Certificates. In such event, all power and authority of the Servicer with respect to the servicing of such GNMA Pools, including the right to collect the servicing fee, also will terminate, expire and pass to and be vested in GNMA.

With respect to 2006A Mortgage Loans backing FNMA Securities, the difference between the interest rate on the Conventional Mortgage Loans and the Pass Through Rate on the 2006A Fannie Mae Securities will be collected by the Servicer and used to pay the servicing fee of .25% per annum and Fannie Mae's guaranty fee of .25% per annum.

The Servicer is also responsible for servicing the 2006A Whole Mortgage Loans and to do so in such a manner that a borrower only is required to make a single payment to the Servicer for their 2006A Mortgage Loan and their 2006A Whole Mortgage Loan. With respect to the 2006A Whole Mortgage Loans, the Servicer is required to remit to the Trustee 100% of the

payments received from borrowers on such 2006A Whole Mortgage Loans. The Servicer receives no ongoing compensation for servicing the 2006A Whole Mortgage Loans.

### **Federal Tax Law Requirements**

The Code provides that the interest on qualified mortgage bonds will not be included in the gross income of the owners thereof if, among other requirements, all of the proceeds of such bonds remaining after the payment of costs of issuance (the "lendable proceeds") are applied to the purchase of mortgage loans of which at least ninety five percent (95%) at the time such mortgage loans were made by the lending institutions, complied with certain mortgage eligibility requirements described below. The Code provides that (i) in determining whether ninety five percent (95%) of the lendable proceeds of the issue are to be used to make mortgages satisfying the mortgage eligibility requirements, the issuer of the bonds may rely on certain specified affidavits of mortgagors and sellers and certain specified examinations made by the issuer or its agent, (ii) the issuer must in good faith attempt to meet all of the mortgage eligibility requirements before the mortgages are executed, and (iii) the issuer must correct any failure of a mortgage loan to meet such requirements within a reasonable period after such failure is discovered. With respect to all 2006A Bonds, the Issuer has covenanted in the Indenture to comply with the Code and the procedures required by the 2006A Origination Agreements, and the 2006A Origination Agreements include the affidavits and examinations which the Code specifies may be relied upon by the Issuer in determining compliance with such requirements. These requirements and procedures are summarized below.

*First Time Homebuyer Requirement.* The Code, as applied to the 2006A Bonds, requires that at least ninety-five percent (95%) of the net proceeds of the 2006A Bonds must be used to finance residences of eligible persons and families who have not had a present ownership interest in a principal residence during the three year period preceding the date on which the Mortgage is executed. The portion of such proceeds used to make Mortgage Loans in targeted areas is treated as used for such purpose. Under the Code the Issuer may rely on its or its agents' examination of federal income tax returns and the mortgagors' affidavits to ascertain compliance with this requirement. The 2006A Origination Agreements require each Participant to obtain and the Servicer to examine for each of the preceding three (3) years federal income tax returns of each of the mortgagors or a mortgagor's affidavit containing the statement that such mortgagor was not required by law to file any such income tax returns for such year.

*Residence Requirement.* As required by the Code, the Indenture and the 2006A Origination Agreements, all residences for which owner financing is provided with the proceeds of the 2006A Bonds must be single family residences located within the applicable Area of Operation. Both the Issuer and the eligible persons and families must reasonably expect that the financed residence will become the mortgagor's principal residence within a reasonable time (60 days) after the Mortgage Loan is executed or assumed. The 2006A Origination Agreements require the Lender to obtain from each mortgagor a certification that at the Closing of the Mortgage Loan such mortgagor intends to make the single family residence his principal residence within sixty (60) days from the date of such closing. Under the Code, the Issuer may rely on such certification for purposes of ascertaining compliance with this requirement.

*Income Limitations.* As required by the Code, the Indenture and the 2006A Origination Agreements, the family income of each mortgagor may not exceed the applicable percentage of the current median gross income for the metropolitan statistical area in which the residence is located. The applicable percentage of median gross income is 115% (100% with respect to a family consisting of less than three (3) persons) for residences not located in a targeted area and 140% (120% with respect to a family consisting of less than three (3) persons) for targeted area Residences; provided, however, that up to 33% of Mortgage Loans originated in targeted areas may be made to mortgagors whose family income exceeds 140% of the median gross income, but does not exceed 150% of the median gross income. The 2006A Program requires that eligible persons and families supply an affidavit setting forth their family income. Under the Code, the Issuer may rely on such affidavits for purposes of ascertaining compliance with this requirement.

*Purchase Price Limitations.* The Code, as applied to the 2006A Bonds, requires that the "acquisition cost" (as defined in the Code) of each residence being financed may not exceed 90% (110% in the case of targeted areas) of the "average area purchase price" applicable to such residence. The determination of the average area purchase price applicable to each residence being financed (which may vary depending on the number of units in a single family residence) must be made as of the date on which the Lender commits to make the Mortgage Loan or, if earlier, the date of purchase of the residence. In accordance with the Code, the United States Treasury Department has published certain "safe harbor" average area purchase price limitations for residences financed by bond financed mortgage loans in the Area of Operation. The 2006A Program requires that both the eligible persons and families and the sellers of the single family residences supply an affidavit setting forth the acquisition cost of the single family residence and certifying that the single family residence is a completed residential unit that includes only such land as reasonably maintains the basic livability of the residence. The Code prohibits the financing of a residence which will be used in the trade or business of the mortgagor; accordingly, the 2006A Program requires that the eligible persons and families certify that they do not expect to so use the mortgaged property. Under the Code, the Issuer may rely on such affidavits for purposes of ascertaining compliance with these requirements.

*Targeted Area Requirement.* The Code requires the Issuer to make at least the lesser of (i) twenty percent (20%) of the lendable proceeds of the 2006A Bonds (not including refunding bonds) or (ii) forty percent (40%) of the average annual aggregate principal amount of mortgages executed in the preceding three (3) calendar years for single family owner occupied residences located in targeted areas available to purchase Mortgage Loans made to finance single family residences in the targeted areas for a period of at least one (1) year from the date of issuance of said 2006A Bonds and to use reasonable diligence to place such proceeds in qualified mortgages in targeted areas. The Code specifically permits the purchase of a mortgage loan made to an eligible borrower who had a present ownership interest in a principal residence within the three-year period next preceding the execution of the mortgage if the residence financed with the proceeds of the mortgage loan is located within a targeted area.

Up to approximately \$\_\_\_\_\_ is required to be reserved for Targeted Area Mortgage Loans for the 2006A Program. The Issuer will make such funds available for a period of one year from the date of issuance of the 2006A Bonds for the purchase of Mortgage Loans originated for Residences located in the targeted areas. During such one year period, funds

reserved for Targeted Area Mortgage Loans may be invested in GNMA Certificates, Fannie Mae Securities or Freddie Mac Certificates prior to being used to purchase Guaranteed Mortgage Securities backed by Targeted Area Mortgage Loans or Mortgage Loans.

*New Mortgage Requirement.* The Code does not allow proceeds of a qualified mortgage issue to be used to acquire existing mortgages (thereby requiring the Issuer to apply such proceeds only to newly originated mortgages), or to refinance existing loans, except construction period loans, bridge loans or other similar temporary initial financing of twenty four (24) months or less. The 2006A Origination Agreements require that the eligible persons and families supply an affidavit certifying that the mortgage loan proceeds will not be used in a manner which would violate this requirement. Under the Code the Issuer may rely on such affidavits for purposes of ascertaining compliance with this requirement.

*Requirements Relating to Assumptions.* The Code requires that any mortgage loan financed with the proceeds of a qualifying mortgage issue may be assumed only if the applicable mortgage eligibility requirements relating to principal residence - absence of home ownership for the prior three years, intent to occupy the residence, income limitations, and acquisition cost limitations applicable to a newly originated mortgage loan - are met with respect to the assumption. The determination as to compliance with these requirements is to be made as of the date on which the mortgage loan is being assumed. Accordingly, the Issuer must determine the relevant average area purchase prices for each statistical area within the Area of Operation and the current applicable median family income and must assure compliance with each of the applicable requirements of the Code for any such assumptions. The 2006A Origination Agreements provide that any person or family assuming a Mortgage Loan must meet each of the eligibility requirements and be approved by the Issuer in the same manner as newly originated mortgages are approved.

*Correction of Non Compliance.* The Code provides that the Issuer is required to cure any failure of a Mortgage Loan to comply with Code requirements within a reasonable time after discovery of such failure. The 2006A Origination Agreements require the Lenders to repurchase any such defective Mortgage Loans at the direction of the Servicer, and the mortgage documents provide that if a mortgagor under a Mortgage Loan is found not to be an eligible person or family such Mortgage Loan may be declared immediately due and payable.

*Arbitrage Requirements.* The Code contains special arbitrage provisions applicable to issues of qualified mortgage bonds. First, the Code provides that the "effective interest rate" on the mortgage loans may not exceed the yield on the 2006A Bonds by more than 1.125%. Second, the Code requires that issuers rebate to the United States of America certain investment earnings on "nonpurpose investments" (investments other than mortgages) to the extent that the amount of such earnings exceeds the amount that would have been earned on such investments if those investments were earning a return equal to the yield on the 2006A Bonds. The Issuer will pay to the United States of America the arbitrage earned on its nonpurpose investments and has covenanted not to take or permit to be taken any action which would cause any 2006A Bond to violate any of the arbitrage restrictions applicable to the 2006A Bonds under Section 143(g) or Section 148 of the Code. In addition, the Issuer has covenanted to comply with a Letter of Instructions to be delivered by bond counsel simultaneously with the issuance and delivery of the

2006A Bonds which contains provisions designed to ensure that the arbitrage provisions of Sections 143(g) and 148 of the Code are satisfied.

*Recapture Provision.* The Code requires a payment to the United States of America from certain mortgagors with respect to Mortgage Loans upon sale of their homes financed by a Mortgage Loan (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be an appropriate portion of the subsidy provided by qualified mortgage bond financing (but not in excess of fifty percent (50%) of the gain on the sale) be recaptured on disposition of the house. The recapture amount increases over the period of ownership, with full recapture occurring if the house is sold or disposed of during the end of the fifth year. The recapture amount declines by a factor of 20% each year for years six through nine and ultimately to zero with respect to sales or dispositions occurring after year nine. An exception excludes from recapture part or all of the subsidy in the case of assisted individuals whose income was less than prescribed amounts at the time of the disposition.

## **PROGRAM ASSUMPTIONS, BONDHOLDERS' RISKS AND OTHER FACTORS**

### **Program Assumptions**

The Issuer estimates, based on certain cash flow analyses requested by the Rating Agency and provided to it by the Financial Advisor (hereafter defined), in a form acceptable to the Rating Agency, that the payments of principal of and interest on the 2006A Guaranteed Mortgage Securities expected to be purchased with amounts on deposit in the 2006A Acquisition Account plus the moneys on deposit in the various funds and accounts related solely to the 2006A Bonds, (except for amounts in the 2006A Rebate Account, the 2006A Administration Account and the 2006A Cost of Issuance Account), including earnings thereon (except with respect to earnings on amounts in the 2006A Rebate Account, the 2006A Administration Account and the 2006A Cost of Issuance Account) will generate sufficient revenues to pay on a timely basis the Principal Amount of and interest on the 2006A Bonds. The sufficiency of such revenues is based on the following assumptions:

(a) 2006A Guaranteed Mortgage Securities and 2006A Whole Mortgage Loans will be purchased by the Trustee on behalf of the Issuer on each Certificate Purchase Date from amounts on deposit in the 2006A Acquisition Account and Subaccounts therein on the terms set forth in the 2006A Administration and Servicing Agreement and the Indenture. The 2006A Guaranteed Mortgage Securities are secured by the 2006A Mortgage Loans, which provide for level monthly payments of principal and interest and bear interest at \_\_\_% per annum for Home Key Loans. The 2006A Whole Mortgage Loans provide for level monthly payments of principal and interest and bear interest at \_\_\_% per annum for 2006A Whole Mortgage Loans associated with Home Key 2<sup>nd</sup> Loans and \_\_\_% per annum for 2006A Whole Mortgage Loans associated with Home Key Plus 2<sup>nd</sup> Loans. The debt service on the 2006A Mortgage Loans is passed through to the Trustee as holder of the 2006A Guaranteed Mortgage Securities and such payments under the 2006A Guaranteed Mortgage Securities constitute Pledged Property under the Indenture.

(b) To the extent that the amounts on deposit in the 2006A Acquisition Account (other than amounts deposited in the 2006A SHIP Funds Subaccount) are not used to purchase 2006A Guaranteed Mortgage Securities on behalf of the Issuer in the amount anticipated, such money will be used instead to redeem the 2006A Bonds as described herein. See "THE 2006A BONDS - Redemption Provisions" herein.

(c) All 2006A Mortgage Loans and 2006A Whole Mortgage Loans will mature within 30 years and may be prepaid at any time without penalty.

(d) The Acquisition Account Investment Agreement Provider will pay interest on the amounts deposited in the 2006A Acquisition Account, including the 2006A Bond Premium Subaccount, the 2006A SHIP Funds Subaccount and the 2006A Whole Mortgage Loan Subaccount invested under the Acquisition Account Investment Agreement at the rate of \_\_\_% per annum until at least May 1, 2037\* or earlier upon complete withdrawal or termination. The General Investment Agreement Provider will pay interest on the amounts deposited in the 2006A Revenue Account, 2006A Debt Service Account, 2006A Subordinated Debt Service Reserve Account, 2006A Special Redemption Account, the 2006A Optional Redemption Account and the 2006A Capitalized Interest Account invested under the General Investment Agreement at the rate of \_\_\_% per annum until at least March 1, 2037\* or earlier upon complete withdrawal or termination.

(e) All future expenses with respect to the 2006A Bonds, including the Trustee Fees and the Issuer's Fees (including the Rebate Requirement), will be paid in full on a timely basis from investment income on funds held by the Trustee and a portion of interest paid on the 2006A Guaranteed Mortgage Securities and interest on the 2006A Whole Mortgage Loans. All program expenses are fixed and no fees and expenses other than those described in this paragraph will be paid from the Trust Estate established by the Indenture.

(f) 2006A Prepayments will be used to redeem 2006A Bonds in accordance with the Indenture. See "THE 2006A BONDS - Redemption Provisions" herein.

In reaching the determination that such revenues are expected to be sufficient to pay debt service on the 2006A Bonds and other program expenses, the Rating Agency has reviewed cash flow analyses which assume the different circumstances described below:

(a) 2006A GNMA Certificate payments, 2006A Fannie Mae Security and the 2006A Freddie Mac Certificate payments are received on the twenty-ninth (29th) day of the month in which they are due.

(b) The 2006A Mortgage Loans will prepay at various percentages of PSA experience including, among others, (i) 0%, (ii) 100%, (iii) 300% and (iv) 700% PSA Prepayments.

(c) There will be various levels of origination of 2006A Mortgage Loans including (i) 100% origination of all mortgage types and (ii) origination of Home Key Loans only (no other loan types originated) and (iii) origination of no 2006A Mortgage Loans.

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\* Preliminary, subject to change.

(d) Mortgage payments on the 2006A Whole Mortgage Loans will be received (60) sixty days after they are due to have been received.

(e) The 2006A Whole Mortgage Loans will experience mortgage losses equal to 26% of the initial principal amount of 2006A Whole Mortgage Loans in three equal installments on the anniversary date of the end of the origination period starting on the first anniversary. When a 2006A Whole Mortgage Loan experiences a mortgage loss it is assumed that no future payments are received on such mortgage loan.

(f) The 2006A Whole Mortgage Loans will prepay at various percentages of PSA experience including, among others, (i) 0%, (ii) 100%, (iii) 300% and (iv) 700% PSA Prepayments.

Based on the representations made and the information provided to it by the Underwriters, the Financial Advisor and Lenders, the Issuer believes it is reasonable to make these assumptions but there can be no assurance whatsoever that actual events will correspond to the foregoing assumptions.

#### **Average Life of 2006A Bonds**

The term "weighted average life" refers to the average amount of time that will elapse from the date of issuance of a security until each dollar of principal of such security will be repaid to the investor. The weighted average life of the 2006A Bonds will be influenced by the rate at which principal of the 2006A Mortgage Loans and 2006A Whole Mortgage Loans are paid. Principal payments on 2006A Mortgage Loans and 2006A Whole Mortgage Loans may be in the form of scheduled amortization or prepayments (for this purpose, the term "prepayment" includes prepayments and liquidations due to default or other dispositions of the 2006A Mortgage Loans and 2006A Whole Mortgage Loans, including payments on the private mortgage insurance policies). Prepayments on mortgage loans are commonly measured by a prepayment standard or model. The model used in the following discussion is the Public Security Association ("PSA") prepayment standard or model (the "PSA Prepayment Model").

The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the 2006A Mortgage Loans and 2006A Whole Mortgage Loans. The PSA Prepayment Model starts with 0.20% prepayment rate in the first month, increasing the prepayment rate by 0.20% in each succeeding month until the thirtieth month (when a 6.00% annualized prepayment rate is reached) and then assumes a constant prepayment rate of 6.00% per annum of the unpaid principal balance for the remaining life of the mortgage loans.

As used in the following tables relating to the 2006A Bonds, the percentage of the PSA Model reflects the applicable prepayment speed utilized (i.e. 0%, 50%, 100%, 200%, 300%, 400% and 500%) divided by 100% (as the base case PSA Model) times the prepayment rate. For example, "50% PSA" assumes the principal of a group of Mortgage Loans will prepay 50% (or half) as fast as the PSA Prepayment Model, while "200% PSA" assumes the principal of a group of Mortgage Loans will prepay at a rate twice as fast as the PSA Prepayment Model.

There is no assurance, however, that prepayment of the principal of the 2006A Mortgage Loans or the 2006A Whole Mortgage Loans will conform to any particular level of the PSA Prepayment Model. Although the scheduled payments of the 2006A Bonds do not take into account prepayments on the 2006A Mortgage Loans or the 2006A Whole Mortgage Loans, it is anticipated that prepayments of the 2006A Mortgage Loans will in fact occur. The rate of principal payment on pools of mortgage loans is influenced by a variety of economic, geographic, social and other factors, including the level of mortgage interest rates and the rate at which homeowners sell their homes or default on their mortgage loans, changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgage properties. In general, if prevailing interest rates fall significantly, the 2006A Mortgage Loans and the 2006A Whole Mortgage Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such 2006A Mortgage Loans and 2006A Whole Mortgage Loans. In addition, as homeowners move or default on their 2006A Mortgage Loans or 2006A Whole Mortgage Loans, the houses are generally sold and the 2006A Mortgage Loans or the 2006A Whole Mortgage Loans prepaid. Because of the foregoing and since the rate of prepayment of the Principal Amount of each 2006A Bond will depend on the rate of repayment (including 2006A Prepayments) of the 2006A Mortgage Loans or the 2006A Whole Mortgage Loans, the actual redemption of any 2006A Bonds is likely to occur earlier, and could occur significantly earlier, than its stated maturity. There is, however, no completely reliable statistical base with which to predict the level of prepayment in full or other early termination of the Mortgage Loans and the resulting effect on the average life of the 2006A Bonds. It is expected that a substantial portion of the 2006A Bonds will be redeemed at par prior to their respective stated maturities. Any person who purchases a 2006A Bond in excess of its principal amount should consider that the 2006A Bonds are subject to redemption at par under the various circumstances described under "THE 2006A BONDS - Redemption Provisions " herein.

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**Table of Projected Average Life for 2006A Term Bonds\***

<b>PSA Speed</b>	<b>2006A 9/1/2036 (AMT) Premium PAC</b>	<b>2006A 9/1/2021 (AMT) 2021 Term</b>	<b>2006A 9/1/2026 (AMT) 2026 Term</b>	<b>2006A 9/1/2031 (AMT) 2031 Term</b>	<b>2006A 3/1/2037 (AMT) 2037 Term</b>	<b>2006A 3/1/2037 (AMT) Second Mortgage Bond</b>
0%	17.5	13.2	18.2	23.2	28.4	18.9
25%	11.8	13.2	18.2	23.2	27.9	14.3
50%	8.3	13.2	18.1	22.4	25.9	11.0
75%	6.5	13.2	17.3	20.6	22.9	9.0
100%	5.5	12.8	16.2	18.5	20.1	7.7
150%	5.5	11.1	13.2	14.3	14.7	3.5
200%	5.5	9.4	10.7	11.2	11.2	3.4
300%	5.5	7.0	7.3	7.4	7.3	3.0
400%	5.5	5.3	5.4	5.4	5.3	2.8
500%	4.5	4.8	4.8	4.7	4.7	3.8
750%	3.6	3.8	3.7	3.7	3.7	3.2
1000%	3.1	3.2	3.2	3.2	3.2	2.8

**Additional Bondholders' Risks**

*Failure to Originate 2006A Mortgage Loans or 2006A Whole Mortgage Loans.* There are numerous reasons why 2006A Mortgage Loans or 2006A Whole Mortgage Loans may not be originated, and corresponding 2006A Guaranteed Mortgage Securities not purchased, in an aggregate amount equal to the amount of funds available for such purpose. One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. The Issuer has determined that there is at the present time a shortage of funds in the Area of Operation to make such loans at interest rates competitive with that specified for the 2006A Mortgage Loans or 2006A Whole Mortgage Loans. This condition could change during the Origination Period for the 2006A Mortgage Loans or 2006A Whole Mortgage Loans. For example, prevailing interest rates for conventional mortgages in the Area of Operation could decrease, or other funds to make real estate loans at rates and on other terms equivalent to or more favorable than the rate and terms of the 2006A Mortgage Loans or 2006A Whole Mortgage Loans could be made available by the Issuer, a Subsidiary or the Florida Housing Finance Corporation. In the event that, prior to all of the 2006A Mortgage Loans or 2006A Whole Mortgage Loans being originated by the Lenders, funds to make 2006A Mortgage Loans or 2006A Whole Mortgage Loans were to become available in any of the Area of Operation at rates competitive with those specified for the 2006A Mortgage Loans or 2006A Whole Mortgage Loans, the Lenders might not be able to utilize all of the funds available for the origination of 2006A Mortgage Loans or 2006A Whole Mortgage Loans.

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\* Preliminary, subject to change.

There can be no assurance that the availability of funds under prior or future programs of the Issuer, a Subsidiary or programs of the Florida Housing Finance Corporation, or its successor, will not have an adverse effect on the origination of loans under the 2006A Program. In addition, there can be no assurance that demand for either Home Key Loans or Home Key Plus Loans will be sufficient to cause origination of Home Key Loans in aggregate amounts made available for the purchase of such Mortgage Loans in the 2006A Acquisition Account. Similarly, there can be no assurance that demand for 2006A Whole Mortgage Loans will be sufficient to cause origination of 2006A Whole Mortgage Loans in aggregate amounts made available for purchase of such 2006A Mortgage Loans in the 2006A Acquisition Account. For a description of the origination history of the Issuer's prior programs, see "PREVIOUS SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS" herein.

Many Lenders are subject to regulation by various state or Federal agencies whose regulatory power could operate in certain circumstances to prevent a Lender from performing its obligations under the 2006A Origination Agreement. In the event that, prior to all of the 2006A Mortgage Loans or 2006A Whole Mortgage Loans being originated by the Lenders, funds to make 2006A Mortgage Loans or 2006A Whole Mortgage Loans were to become available in the Area of Operation at rates competitive with those specified for the 2006A Mortgage Loans or 2006A Whole Mortgage Loans, the Lenders might not be able to utilize all of the funds available for the origination of 2006A Mortgage Loans or 2006A Whole Mortgage Loans.

If the Servicer, for any reason, is unable to purchase 2006A Mortgage Loans or 2006A Whole Mortgage Loans or issue 2006A Guaranteed Mortgage Securities for purchase by the Trustee and no qualified successor servicer can be substituted, the 2006A Bonds will be redeemed from proceeds not applied to purchase 2006A Guaranteed Mortgage Securities. See "PREVIOUS SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS" herein for the percentage of unused proceeds from prior programs of the Issuer.

Non-origination Calls of 2006A-2 Bonds. [UPDATE] The Issuer has instructed the Trustee to use the remaining proceeds of its 2005A-4 Bonds on deposit in the 2005A Whole Mortgage Loan Acquisition Account to originate Home Key 2nd Loans in the 2006A Program prior to using proceeds of the 2006A-2 Bonds on deposit in the 2006A Whole Mortgage Loan Acquisition Account. Of the \$\_\_\_\_\_ of original proceeds of the 2005A-4 Bonds deposited into the 2005A Whole Mortgage Loan Acquisition Account, \$\_\_\_\_\_ were not used to originate Home Key 2nd Loan and will be used to originate Home Key 2nd Loans as part of the 2006A Program prior to using the proceeds of the 2006A-2 Bonds. Since all of the proceeds of the 2005A-4 Bonds originally anticipated to be used to acquire Home Key 2nd Loans as part of the 2005A Bonds were not so used, their use in originating Home Key 2nd Loans as part of the 2006A Program prior to using any 2006A-2 Bond proceeds may result in non-origination calls of the 2006A-2 Bonds.

Default of 2006A Whole Mortgage Loans. The 2006A Whole Mortgage Loans carry a higher risk of default than the 2006A Mortgage Loans. Due to the subordinated position of the mortgages securing such 2006A Whole Mortgage Loans, there is no assurance that funds for the repayment of such 2006A Whole Mortgage Loans will be recovered.

Federal Tax Law Requirements. The Code imposes certain requirements which restrict the number of potential mortgagors and residential units which qualify for 2006A Mortgage Loans and 2006A Whole Mortgage Loans and thereby may materially decrease the amount of 2006A Mortgage Loans available to comprise 2006A Guaranteed Mortgage Securities. The requirements are subject to change and may become more restrictive, thereby resulting in a decrease in the number of potential mortgagors or residential units eligible for inclusion in the 2006A Program. See "THE 2006A PROGRAM - Federal Tax Law Requirements" herein.

Funding of Federal Agencies. The funding of operations of certain federal agencies such as FHA, RD and GNMA, which provide services in connection with the 2006A Program is subject to the approval of the U.S. Congress. The inability of FHA to deliver mortgage insurance, the inability of RD to deliver mortgage guaranties, or the inability of the Servicer to obtain sufficient GNMA commitments for the 2006A Program could result in a higher likelihood of a 2006A Bond being redeemed pursuant to a special mandatory redemption as described in "THE 2006A BONDS - Redemption Provisions - *Special Mandatory Redemption*" herein.

Enforceability of Remedies. The remedies available to the owners of the 2006A Bonds upon an Event of Default under the Indenture or an event of default under the 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 available under the documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2006A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by the application of equitable principles.

Investment Agreement Providers. The ratings on the Senior Bonds are partially dependent upon the ratings of the all investment agreement providers or guarantors with respect to any Series of Senior Bonds. If the rating of any such investment agreement provider or guarantor is lowered, the rating on any or all Senior Bonds may be negatively affected. See "SECURITY FOR THE 2006A BONDS - Investment Agreements" herein.

### **The 2006A-2 Bonds, Unique Risks**

The 2006A-2 Bonds share the origination, negative arbitrage, and market risks that are associated with other 2006A Bonds. The 2006A-2 Bonds, however, have additional risks associated with them in that they are not secured by 2006A Guaranteed Mortgage Securities, but rather they are secured by the 2006A Home Key 2<sup>nd</sup> Loans and 2006A Home Key Plus 2<sup>nd</sup> Loans. Although the first mortgage loans for these mortgagors will be cross defaulted with the 2006A Home Key 2<sup>nd</sup> Loans and the 2006A Home Key Plus 2<sup>nd</sup> Loans, the 2006A Home Key 2<sup>nd</sup> Loans and the 2006A Home Key Plus 2<sup>nd</sup> Loans will not be cross defaulted with the first mortgages. In other words, a default under the first mortgage will not trigger a default under the second mortgage securing the 2006A-2 Bonds. Consequently, upon a default on a first mortgage, the Servicer for the first mortgage will be able to foreclose "down" upon the 2006A Home Key 2<sup>nd</sup> Loan and the 2006A Home Key Plus 2<sup>nd</sup> Loan and eliminate the security for the 2006A-2 Bonds.

Additionally, any foreclosure on the 2006A Home Key 2<sup>nd</sup> Loan and the 2006A Home Key Plus 2<sup>nd</sup> Loan will be subject to the first mortgage, meaning a successful foreclosure on such second mortgage would require that the foreclosing entity would still be subject to the terms and superior lien of the first mortgage.

Finally, since the 2006A-2 Bonds are secured by actual mortgages rather than 2006A Guaranteed Mortgage Securities, remedial actions for recovery on such bonds will require actual foreclosure of the 2006A Home Key 2<sup>nd</sup> Loans and the 2006A Home Key Plus 2<sup>nd</sup> Loans. Foreclosure law in the State is judicial, meaning that a complaint must be filed with the applicable circuit court and responsive pleading from the mortgagor is allowed. Even an uncontested mortgage proceeding may take at least three months to move to judgment. To the extent a foreclosure procedure is contested by a mortgagor, the process may take many months, or even years, to accomplish.

## **THE ISSUER**

### **General**

The Issuer was created as a public body corporate and politic in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes, as amended, and Pinellas County Code §2-386 (the "Act"). The Issuer is authorized, in furtherance of the public purposes described in the Act, to alleviate the shortage of affordable residential housing facilities, and to provide capital for investment in such facilities, for low, moderate or middle income families, by issuing its revenue bonds to acquire home mortgages by purchasing the same and by pledging such home mortgages as security for the payment of the principal and interest on any such revenue bonds and by entering into any agreements in connection therewith.

The Issuer has entered into or will enter into separate Interlocal Agreements (collectively, the "Interlocal Agreements") with the Subsidiaries. The Interlocal Agreements provide that the Issuer will issue the 2006A Bonds and that a separate portion of the proceeds of the 2006A Bonds is to be allocated for use within each participating county pursuant to the guidelines of the 2006A Origination Agreements.

The Issuer is composed of 5 members appointed by the Board of County Commissioners of Pinellas County, Florida. The members of the Issuer serve for terms of four years, and the current members of the Issuer, the dates on which their respective terms expire and their principal occupations are as follows:

<b>Name</b>	<b>Term Expires</b>	<b>Principal Occupation</b>
Rodney S. Fischer <sup>(1)</sup>	02/01/2010	Director, Construction Lic. Bd.
Norris E. Counts	02/01/2007	Banker
June Cullen	02/01/2009	Realtor
Mark T. Mahaffey	02/01/2008	Real Estate Developer
Tasker Beal, Jr.	02/01/2008	Physicist

<sup>(1)</sup> Chairman

The Issuer will neither originate nor service the 2006A Mortgage Loans, and the Issuer will have no responsibility with respect thereto or with respect to the collection, transfer or payment of any moneys derived from the 2006A Mortgage Loans. The Issuer has contracted with the Servicer to administer its 2006A Program through the monitoring and supervision of the origination and sale of the 2006A Mortgage Loans by the Lenders and to service all 2006A Mortgage Loans financed under the 2006A Program. In approving the 2006A Program and the issuance of the 2006A Bonds, the Issuer has relied upon certain information and representations provided to it by consultants, attorneys, its Financial Advisor and by the Underwriters.

## PREVIOUS SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAMS

The following chart shows the origination history of the Issuer's prior and current mortgage revenue bond programs as of February 15, 2006:

Issue	Mortgage Rate	Loan Type	Funds Available for Acquisition	Funds Used or Committed to Purchase Loans	% of Issue Originated
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1983	10.700%	FHA/VA, Conv.	\$33,700,000	\$33,001,000	98%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1984A	10.950%	FHA/VA, Conv.	\$24,635,000	\$20,028,395	81%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, 1985 Series A	9.990%	FHA/VA, Conv.	\$22,374,000	\$17,767,395	79%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, 1987 Series A	9.700%	FHA/VA	\$16,500,000	\$10,761,129	65%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, 1989 Series A	8.400%	FHA/VA	\$15,740,000	\$15,293,475	97%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, 1990 Series A	8.250%	FHA/VA	\$14,550,000	\$13,535,977	93%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1991A	7.850%	FHA/VA	\$17,250,000	\$11,284,818	65%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1991B	7.770%	FHA/VA	\$14,500,000	\$ 8,762,327	60%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1994A (Multi-County Program)	7.490%	FHA/VA, Conv.	\$39,800,000	\$33,643,006	85%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1995A	7.600%	FHA/VA, Conv.	\$65,595,000	\$52,403,823	80%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenues Bonds, Series 1996A	6.54%	FHA/VA, RD Conv.	\$25,000,000	\$24,777,543	99%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 1997A	6.75%	FHA/VA, RD Conv.	\$32,520,000	\$31,716,740	98%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 1997C	6.375%	FHA/VA, RD Conv.	\$25,525,000	\$25,235,715	99%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 1998A	5.95%	FHA/VA, RD Conv.	\$25,406,560	\$24,980,000	98%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 1998C	6.250%	FHA/VA, RD Conv.	\$25,400,000	\$24,975,000	98%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 1999A	5.900%	FHA/VA, RD Conv.	\$22,248,841	\$25,397,492	100%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 1999B	6.25%	FHA/VA, RD Conv.	\$25,475,000	\$25,176,348	98%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2000A	7.125%	FHA/VA, RD Conv.	\$25,462,500	\$24,382,037	95%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2000B	7.25%	FHA/VA, RD Conv.	\$20,419,500	\$17,082,423	84%

Issue	Mortgage Rate	Loan Type	Funds Available for Acquisition	Funds Used or Committed to Purchase Loans	% of Issue Originated
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2001A	5.95%	FHA/VA, RD Conv.	\$31,593,003	\$29,490,456	93%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2001B	5.90%	FHA/VA, RD Conv.	\$20,000,000	\$19,395,895	97%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2002A	5.99%	FHA/VA, RD Conv.	\$20,310,000	\$18,849,493	93%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2002B	5.80% <sup>(1)</sup>	FHA/VA, RD Conv.	\$25,260,000	\$25,091,225	99%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2003A	5.30% <sup>(2)</sup>	FHA/VA, RD Conv.	\$15,360,000	\$15,360,000	100%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2003B	5.70% <sup>(3)</sup>	FHA/VA, RD Conv.	\$14,000,000	\$14,000,000	100%
Housing Finance Authority of Pinellas County Single Family Mortgage Revenue Bonds, Series 2004A	5.60% <sup>(4)</sup>	FHA/VA, RD Conv.	\$21,300,000	\$21,300,000	100%
Housing Finance Authority of Pinellas County Single Family Housing Revenue Bonds 2005 Series A (Multi-County Program)	5.40% <sup>(4)</sup>	FHA/VA, RD Conv.	\$14,400,000	\$14,400,000	100%
Housing Finance Authority of Pinellas County Single Family Housing Revenue Bonds 2005 Series B (Multi-County Program)					

<sup>(1)</sup> 6.50% for Assisted Mortgage Loans and 5.85% for SHIP Assisted Mortgage Loans.

<sup>(2)</sup> 6.10% for Assisted Mortgage Loans and 4.90% for SHIP Assisted Mortgage Loans.

<sup>(3)</sup> 6.50% for Assisted Mortgage Loans and 5.65% for SHIP Assisted Mortgage Loans.

<sup>(4)</sup> 6.40% for Assisted Mortgage Loans and 5.60% for SHIP Assisted Mortgage Loans.

## FLOW OF FUNDS

### General Funds and Accounts

The Indenture establishes the (a) Revenue Fund; (b) Debt Service Fund; (c) Debt Service Reserve Fund; (d) Mortgage Reserve Fund; (e) Redemption Fund; (f) Administration Fund; (g) Subordinated Debt Service Fund; (h) Proceeds Fund; (i) Rebate Fund; (j) Accumulation Fund and (k) Program Fund. The Indenture permits certain other Funds to be created and certain accounts to be created within such Funds pursuant to a Series Supplement. See "2006A Funds and Accounts" below for a description of the Accounts created, with respect to the 2006A Bonds pursuant to the 2006A Supplement.

*Revenue Fund.* The Revenue Fund (and within the Revenue Fund the Revenue Accounts with respect to each Series of Bonds as created pursuant to a Series Supplement) will be held by the Trustee. All Pledged Receipts shall be identified by the Trustee with respect to the applicable Series of Bonds and deposited for credit to the applicable Revenue Accounts in the Revenue Fund. Prepayments shall be identified by the Trustee and transferred as specified in the applicable Series Supplement. Pursuant to the 2006A Supplement, 2006A Pledged Receipts from the 2006A Guaranteed Mortgage Securities, including 2006A Prepayments, 2006A Whole Mortgage Loans, including Prepayments thereon will be transferred to the credit of the 2006A Revenue Account. All interest and other income from time to time received from the deposit of moneys in the Revenue Fund will be retained in such Fund and applied to the applicable Revenue Account or Revenue Accounts and thereafter as described below.

From time to time, as determined by the Rebate Analyst, the Trustee shall transfer from the applicable Revenue Account in the Revenue Fund to the applicable Account of the Rebate Fund the amount needed to increase the balance therein to the Rebate Requirement for the Series of Bonds with respect to which such Rebate Account was established.

On the Business Day prior to each Interest Payment Date, or on such earlier other dates as may be directed in any Series Supplement, the Trustee will transfer from the applicable Revenue Account of the Revenue Fund to the following Funds and Accounts or to the Issuer the amounts indicated in the following order of priority, or so much thereof as remains after first making all prior transfers:

(a) into the related Account in the Debt Service Fund, the amount needed to increase the respective balance therein to the applicable Debt Service Requirement on the Senior Bonds on such Interest Payment Date;

(b) into the related Account of the Debt Service Reserve Fund, the amount needed to increase the balance therein to the Debt Service Reserve Fund Requirement applicable to such Account, or to reimburse the issuer of any Credit Facility held in such Account for amounts drawn thereunder in accordance with the terms of any reimbursement agreement related thereto, together with accrued and unpaid interest or premiums then due, if any;

(c) into the related Account of the Mortgage Reserve Fund, the amount needed to increase the balance therein to the Mortgage Reserve Fund Requirement applicable to such Account, or to reimburse the issuer of any Credit Facility held in such Account for amounts drawn thereunder in accordance with the terms of any reimbursement agreement related thereto together with accrued and unpaid interest or premiums then due, if any;

(d) into the Administration Fund, (i) an amount equal to any related accrued Credit Facility Fees, plus the amount of any premium or other charge due and owing to the issuer of any Credit Facility delivered in satisfaction of part of or all of the related Debt Service Reserve Fund Requirement or Mortgage Reserve Fund Requirement and, as directed by an Officer's Certificate or as provided in the applicable Series Supplement, (ii) the amount, if any, necessary to pay or provide for the ordinary fees and ordinary expenses of the Fiduciaries, including expenses in connection with the purchase or redemption of any Bonds of such Series, (iii) an amount equal to the expenses of obtaining or maintaining Supplemental Security, and (iv) an amount equal to any Issuer Fees authorized by any Series Supplement; provided that any deposits into the Administration Fund shall not exceed the amount of administration expenses assumed in the Cash Flow Statement delivered in connection with the issuance of each series of Bonds (or the Cash Flow Statement most recently delivered), except that such administration expenses may be deposited into the Administration Fund in an amount in excess of the amount of such assumed expenses upon the delivery of a new Cash Flow Statement;

(e) as directed by an Officer's Certificate (or by the applicable Series Supplement), (i) into a Special Redemption Account or, (ii) if permitted by the applicable Series Supplement, the applicable Acquisition Account, all or a portion of the amount remaining in the applicable Revenue Account, less any amount as directed by an Officer's Certificate or by the applicable

Series Supplement to be retained in the applicable Account in the Revenue Fund after such deposit;

(f) into the related Account of the Subordinated Debt Service Fund, the amount needed to increase the balance therein to the Subordinated Debt Service Requirement on such Interest Payment Date or the balance in the Revenue Fund if less than such amount, less any amount as directed by an Officer's Certificate or by the applicable Series Supplement to be retained in the applicable Account in the Revenue Fund after such deposit; and

(g) into the related Account of the Accumulation Fund, the amount remaining in the related Account of the Revenue Fund, less any amount as directed by an Officer's Certificate or by the applicable Series Supplement, to be retained in the applicable Revenue Account or to be released to the Issuer.

*Priority of Payments.* To the extent that (a) moneys in the Debt Service Fund shall be insufficient to pay when due any Principal Installment of or interest on the Senior Bonds, or (b) deficiencies exist in any Account of the Rebate Fund, the Debt Service Reserve Fund, the Mortgage Reserve Fund or the Administration Fund, the Trustee will make withdrawals for such Principal Installment or interest described in (a) above, to the extent of such insufficiency, on or before the last business day before such Principal Installment or interest is due, or for the purpose of curing a deficiency described in (b) above, after the payment of any Principal Installment or interest due on such date on any Senior Bond, on the day all such other prior transfers directed by the provisions described in this paragraph are made, from the following Funds and Accounts in the following order of priority or, subject to the provisions of the Indenture, such other order of priority as the Issuer shall, by an Officer's Certificate delivered to the Trustee pursuant to a Series Supplement, designate:

- (a) any Revenue Account(s) in the Revenue Fund;
- (b) any Capitalized Interest Account(s) in the Program Fund;
- (c) any Accumulation Account(s) in the Accumulation Fund;
- (d) any Special Redemption Account(s) in the Redemption Fund;
- (e) any Mortgage Loan Acquisition Account(s) in the Program Fund;
- (f) any Subordinated Debt Service Account(s) in the Subordinated Debt Service Fund;
- (g) any Mortgage Reserve Account(s) in the Mortgage Reserve Fund; and
- (h) any Debt Service Reserve Account(s) in the Debt Service Reserve Fund.

Notwithstanding the foregoing provisions, moneys in the Redemption Fund which are to be applied to redeem Senior Bonds as to which unconditional notice of redemption has been given or as to which binding arrangements to purchase Senior Bonds in lieu of redemption have been made by the Trustee will not be so withdrawn.

*Debt Service Fund.* The Debt Service Fund will be held by the Trustee. The Trustee will establish and maintain in the Debt Service Fund a separate Debt Service Account for the outstanding Senior Bonds of each Series. The Trustee will withdraw from the applicable Account of the Debt Service Fund, on or prior to each Interest Payment Date, an amount equal to the unpaid interest due on the Senior Bonds of each Series on such Interest Payment Date and will cause it to be applied to the payment of such interest when due, or will transmit it to one or more Paying Agents who shall apply it to such payments. Except if an event of default has occurred under the Indenture, once moneys are deposited into any Debt Service Account, such moneys will be held exclusively for the payment of the debt service on the Series of Bonds with respect to which such account was established, unless such moneys were inadvertently deposited therein.

If the withdrawals described in the preceding paragraph on the same and every prior Interest Payment Date have been made, the Trustee will withdraw from the applicable Debt Service Account, on or prior to each Principal Payment Date, an amount equal to the Principal Amount of the Outstanding Senior Bonds, if any, maturing on such Principal Payment Date and will cause it to be applied to the payment of the principal of such Senior Bonds when due, or will transmit it to one or more Paying Agents who shall apply it to such payments.

Each withdrawal from the Debt Service Fund described in the two preceding paragraphs will be made on or immediately prior to the Interest Payment Date or Principal Payment Date to which it relates, and the amount so withdrawn will be deemed to be part of the Debt Service Fund until such Interest Payment Date or Principal Payment Date.

The Trustee will apply money in any Debt Service Account representing payments of Sinking Fund Installments to the purchase or the redemption of the Senior Bonds for which such Debt Service Account is maintained, provided that no such Bonds shall be so purchased during the period of 30 days next preceding each Sinking Fund Installment due date established for such Bonds. The price paid by the Trustee (excluding accrued interest on Senior Bonds but including any brokerage and other charges) for any Bond purchased shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth above, the Trustee will purchase Senior Bonds at such times, for such prices, in such manner (whether after advertisement for tenders or otherwise) as may be possible with the amount of money representing Sinking Fund Installments available therefor. Accrued interest on purchased Senior Bonds will be paid from the applicable Debt Service Account, provided that the Trustee, in its discretion, may pay such accrued interest from the applicable account of the Revenue Fund pending maturity of investments of the applicable Account in the Debt Service Fund, and in such case upon the maturity of investments in the Debt Service Fund, the Trustee will transfer to the Revenue Fund from the Debt Service Fund the amount of accrued interest on purchased Senior Bonds so paid from the Revenue Fund. If at any date there shall be money in such Debt Service Account and there shall be Outstanding none of the 2006A Bonds for which such Account was established, such Account shall be closed and the amount on deposit therein shall be transferred to an account as set forth in an Officer's Certificate.

As soon as practicable after the 45th day but not later than the 30th day prior to the due date of any Sinking Fund Installment, the Trustee will proceed pursuant to the Indenture to call

for redemption on that date a Principal Amount of Senior Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the Principal Amount of the Senior Bonds of such Series and maturity specified for such Sinking Fund Installment. The Trustee will withdraw from such Debt Service Account, on or prior to the due date of such Sinking Fund Installment, an amount equal to the Principal Amount of the Senior Bonds called for redemption on such date and will cause it and funds withdrawn from the Debt Service Fund for the payment of the accrued interest thereon to be applied to the payment of the Redemption Price thereof on such date or will transmit it to one or more Paying Agents who shall apply it to such payment.

If the Trustee shall purchase or redeem (other than pursuant to a Sinking Fund Installment) in any Bond Year Senior Term Bonds subject to redemption from moneys in the Special Redemption or Optional Redemption Account in excess of the aggregate Sinking Fund Installment in respect of such Term Bonds for such Bond Year, the Trustee shall determine with respect to the amount of such excess the years in which Sinking Fund Installments are to be reduced and the respective amounts by which such Sinking Fund Installments are to be reduced.

Upon the retirement of any Bonds by purchase or redemption pursuant to the sinking fund provisions of the Indenture, the Trustee shall file with the Issuer a statement identifying such Bonds and setting forth the date of their purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon.

All interest and other income from time to time received from the deposit and investment of moneys in the Accounts in the Debt Service Fund will be transferred upon receipt to the applicable Account in the Revenue Fund.

*Redemption Fund.* The Redemption Fund will be held by the Trustee. The Trustee will establish a Special Redemption Account in the Redemption Fund for each Series of Senior Bonds and Subordinate Bonds, in which it will deposit, unless otherwise required by the applicable Series Supplement, Prepayments and Surplus Pledged Receipts transferred from the Revenue Fund or the Acquisition Account. Any moneys on deposit in a Special Redemption Account not needed to pay debt service or satisfy a Debt Service Reserve Fund Requirement or Mortgage Reserve Fund Requirement will be used and applied, as soon as practicable following the receipt thereof, but not later than twelve (12) months after such receipt or as otherwise specified in a Series Supplement, for either or both of the following purposes:

(a) to the redemption of the applicable Series of Senior Bonds and Subordinate Bonds as described in the Indenture; or

(b) to the purchase of the applicable Series of Senior Bonds and Subordinate Bonds at the most advantageous price obtainable with due diligence, but only upon receipt of an Officer's Certificate, or as provided in a Series Supplement, together with a Cash Flow Statement for each Bond Year following such purchase; provided that in no Bond Year will the Debt Service be greater as a result of such purchase than if such moneys had been used to redeem Senior Bonds, that no such purchase will be made at a price in excess of the Redemption Price applicable on the next ensuing redemption date, and that no such purchase will be made during the period of

35 days next preceding a redemption date from moneys to be applied pursuant to clause (a) above to the redemption of Senior Bonds on such date; or

(c) to the redemption of Bonds of any Series of Senior Bonds and Subordinate Bonds as permitted or required by the Master Indenture, but only after receipt of a favorable opinion of Bond Counsel; or

(d) to the purchase of Bonds of any Series of Senior Bonds and Subordinate Bonds at the most advantageous price obtainable with due diligence, but only upon receipt of an Officer's Certificate, or as provided in the applicable Series Supplement, stating the Series, and the Principal Amounts and maturities of the Senior Bonds and Subordinate Bonds to be purchased and that in no Bond Year will the Debt Service be greater as a result of such purchase than if such moneys had been used to redeem Senior Bonds, together with a Cash Flow Statement for each Bond Year, following such purchase; provided that no such purchase shall be made at a price in excess of the Redemption Price applicable on the next ensuing redemption date, and that no such purchase shall be made during the period of thirty-five days next preceding a redemption date from moneys to be applied pursuant to clause (a) above to the redemption of Senior Bonds on such date.

The Trustee will establish an Optional Redemption Account in the Redemption Fund for each Series of Senior Bonds and Subordinate Bonds, in which it will deposit all amounts paid to the Trustee for deposit in such Account and the proceeds of any Series of Refunding Bonds which are to refund Bonds Outstanding under the Indenture or bonds outstanding under other resolutions or indentures. Any moneys on deposit in the Optional Redemption Account will be used and applied, within twelve (12) months after the receipt thereof, or as soon thereafter as practicable, for either or both of the following purposes:

(a) to the optional redemption of the applicable Senior Bonds and Subordinate Bonds of such Series as may be designated in a Series Supplement or an Officer's Certificate; or

(b) to the purchase of the applicable Senior Bonds and Subordinate Bonds of such Series at the most advantageous price obtainable with due diligence, provided that no such purchase will be made at a price in excess of the Redemption Price applicable on the next ensuing redemption date, and that no such purchase will be made during the period of 30 days next preceding a redemption date from moneys to be applied pursuant to clause (a) above to the redemption of Senior Bonds on such date.

Accrued interest on purchased Senior Bonds and Subordinate Bonds shall be paid from the applicable account in the Debt Service Fund, provided that the Trustee, in its discretion, may pay such accrued interest from the applicable account in the Revenue Fund pending maturity of investments of the Debt Service Fund, and in such case upon the maturity of investments in the Debt Service Fund, the Trustee will transfer to the applicable account in the Revenue Fund from the Debt Service Fund the amount of accrued interest on purchased Senior Bonds and Subordinate Bonds so paid from such account in the Revenue Fund.

All interest and other income from time to time received from the deposit and investment of moneys in the Account in the Redemption Fund will be transferred upon receipt to the related account in the Revenue Fund unless otherwise specified in an Officer's Certificate.

No amount shall be withdrawn or transferred from or paid out of the Redemption Fund except as provided in the Indenture.

Accumulation Fund. The Accumulation Fund will be held by the Trustee. Whenever there is no deficiency in the Debt Service Fund, the Debt Service Reserve Fund, the Mortgage Reserve Fund, the Rebate Fund, the Administration Fund, any Proceeds Fund or the Subordinated Debt Service Fund, any moneys in the Accumulation Fund may be withdrawn from such Fund from time to time, upon requisitions signed by an Authorized Officer, and may be used by the Issuer for any lawful purposes; provided that at the time of each such withdrawal and taking into account such withdrawal, the Issuer will file (i) if required by the Rating Agency, a Cash Flow Statement with the Trustee and (ii) an Officer's Certificate or Accountant's Certificate showing that the unpaid principal amount of all Mortgage Loans and all Guaranteed Mortgage Securities outstanding plus the amounts on deposit (excluding the amount of any Credit Facility as may be specified in a Series Supplement but including any accrued but unpaid interest on such amounts on deposit) in all Funds and Accounts hereunder (except the Rebate Fund, the Administration Fund, any proceeds or any other Fund or Account excluded from Pledged Property pursuant to a Series Supplement) shall equal or exceed 102% of the aggregate Principal Amount of all Bonds (other than Convertible Option Bonds) then Outstanding, plus any accrued and unpaid interest thereon and accrued and unpaid expenses.

If at any time there is a deficiency in the Debt Service Fund, the Debt Service Reserve Fund, the Mortgage Reserve Fund, the Rebate Fund or the Subordinated Debt Service Fund, the Trustee will withdraw from the Accumulation Fund and deposit in such Fund the amount necessary to remedy such deficiency and will give written notice to the Issuer of such withdrawal.

The Issuer may at any time direct the Trustee to deposit moneys from the Accumulation Fund in any Fund or Account established for any Series of Senior Bonds under the Indenture; provided, that, prior to depositing such moneys in a Cost of Issuance Account, Cost of Remarketing Account or Capitalized Interest Account, the provisions of (i) and (ii) in the first paragraph of this section, shall apply.

All interest and other income from time to time received from the deposit and investment of moneys in the Accumulation Fund will be retained therein.

## **2006A Funds and Accounts**

The 2006A Supplement establishes the following Funds and Accounts with respect to the 2006A Bonds: 2006A Revenue Account (with the 2006A Whole Mortgage Loan Prepayments Subaccount and the 2006A Prepayments Subaccount), 2006A Debt Service Account, 2006A Special Redemption Account, 2006A Optional Redemption Account, 2006A Rebate Account, 2006A Acquisition Account (with the 2006A Bond Premium Subaccount, the 2006A SHIP Funds Subaccount and the 2006A Whole Mortgage Loan Subaccount), 2006A Cost of Issuance

Account, 2006A Capitalized Interest Account, the 2006A Administration Account, the 2006A Accumulation Account, the 2006A Proceeds Refunding Account, the 2006A Subordinated Debt Service Reserve Account and the 2006A Subordinated Debt Service Account.

Series 2006A Revenue Account. Pledged Receipts applicable to the 2006A Bonds, including 2006A Prepayments and Prepayments on the 2006A Whole Mortgage Loans, shall be deposited to the credit of the 2006A Revenue Account. Amounts on deposit in the 2006A Revenue Account shall be transferred (i) as described in paragraphs (a), (d), (e) and (g) under "General Funds and Accounts - Revenue Fund" above, with the exception described below with respect to the 2006A Special Redemption Account, and (ii) as described in "General Funds and Accounts - Priority of Payments" above.

2006A Special Redemption Account. Amounts shall be deposited from the 2006A Revenue Account to the 2006A Special Redemption Account as described in paragraph (e)(i) under "General Funds and Accounts - Revenue Fund" above, except that in the event that on any calculation date the 2006A Program passes the 2006A Asset Parity Test, as calculated by the Trustee, the Issuer may direct the Trustee to transfer an amount, as directed by the Issuer, to the Issuer or to the Accumulation Fund, at the discretion of the Issuer; provided, however, that immediately after such transfer, the 2006A Program shall still meet the 2006A Asset Parity Test.

For purposes of the foregoing, "2006A Asset Parity Test" means a calculation of the ratio of the assets to liabilities of the 2006A Program such that the 2006A Asset Parity Test shall be passed if such ratio is greater than or equal to 104%. For purposes of this test the assets of the 2006A Program include, as of any date of calculation, all moneys, Permitted Investments, 2006A Whole Mortgage Loans and 2006A Guaranteed Mortgage Securities (including accrued interest thereon), credited to the 2006A Acquisition Account, 2006A Revenue Account, the 2006A Special Redemption Account, the 2006A Accumulation Account, the 2006A Capitalized Interest Account, the 2006A Debt Service Account, the 2006A Subordinated Debt Service Account, the 2006A Subordinated Debt Service Reserve Account, but excluding the 2006A SHIP Funds Subaccount in the 2006A Acquisition Account and further excluding the 2006A Administration Fund, the 2006A Costs of Issuance Account and the 2006A Rebate Account. For purposes of this test the liabilities of the 2006A Program include, as of any date of calculation, the principal amount of the Series 2006A Bonds Outstanding, plus accrued interest thereon.

2006A Accumulation Account. Amounts on deposit in the 2006A Accumulation Account shall be applied as described under "General Funds and Accounts - Accumulation Fund" above.

2006A Debt Service Account. Amounts on deposit in the 2006A Debt Service Account shall be applied as described under "General Funds and Accounts - Debt Service Fund" above.

2006A Acquisition Account. Subject to the following restrictions, moneys in the 2006A Acquisition Account shall be used to purchase 2006A Guaranteed Mortgage Securities during the Delivery Period or to redeem 2006A Bonds as provided in the Indenture. Moneys held in the 2006A SHIP Funds Subaccount will be used to pay a portion of the purchase price of 2006A Guaranteed Mortgage Securities comprised of Home Key Plus 2<sup>nd</sup> Loans. Moneys held in the 2006A Acquisition Account other than the 2006A Whole Mortgage Loan Subaccount and the 2006A SHIP Funds Subaccount shall only be used to pay all or a portion of the purchase price of

2006A Guaranteed Mortgage Securities comprised of Home Key Loans or Home Key 2nd Loans. Moneys credited to the 2006A Whole Mortgage Loan Subaccount shall be used to purchase 2006A Whole Mortgage Loans consisting of Home Key 2<sup>nd</sup> Loans and Home Key Plus 2<sup>nd</sup> Loans.

Amounts on deposit in the 2006A SHIP Funds Subaccount in the 2006A Acquisition Account are not Pledged Property and are not pledged to the payment of the 2006A Bonds; provided, however, the interest earnings on such funds are Pledged Property.

The Trustee shall pay the Certificate Purchase Price of 2006A Guaranteed Mortgage Securities, only after satisfying the conditions set forth in the Indenture.

2006A Cost of Issuance Account. The 2006A Supplement provides that moneys in the 2006A Cost of Issuance Account will be applied to payment of the Costs of Issuance of the 2006A Bonds. Amounts on deposit in the 2006A Cost of Issuance Account are not pledged to the payment of the 2006A Bonds and do not constitute Pledged Property.

2006A Capitalized Interest Account. Amounts in the 2006A Capitalized Interest Account represent contributions of the Issuer, and such amounts shall be used by the Trustee after other funds available therefore have been used, to pay any debt service on the 2006A Bonds when due and to pay all or a portion of any accrued interest on a 2006A Guaranteed Mortgage Security and 2006A Whole Mortgage Loans at the purchase thereof. The balance in the 2006A Capitalized Interest Account will not be released to the Issuer until there is no 2006A Bond Outstanding unless cash flows acceptable to the Rating Agency are submitted and the Trustee receives a written rating confirmation.

## **Investment and Deposit of Funds**

The Issuer and each Fiduciary will keep all money held by it, as continuously as reasonably possible, invested and reinvested in Permitted Investments toward the objective that the maturity date or date of redemption at the option of the holder thereof will occur at the times and in the amounts described in "APPENDIX D - SUMMARY OF THE INDENTURE" attached hereto.

## **Cash Flow Statements**

The Issuer shall have on file with the Trustee a current Cash Flow Statement whenever required by the Indenture, a Series Supplement or the Rating Agency. Each Cash Flow Statement shall employ the same assumptions as contained in the immediately preceding Cash Flow Statement for such Series, unless the applicable Rating Agency permits or requires different assumptions to be used to maintain the rating on the respective Series of Bonds.

A Cash Flow Statement shall consist of a certificate of a party acceptable to the applicable rating agency demonstrating that in the current, if required by the Rating Agency, and each succeeding six month period ending on an Interest Payment Date in which 2006A Bonds are scheduled to be Outstanding that amounts then expected to be on deposit in the Funds and Accounts maintained under the Indenture in each such six month period ending on an Interest Payment Date will be at least equal to all amounts required by the Indenture to pay the

Aggregate Debt Service on the 2006A Bonds scheduled to be Outstanding and all Program Expenses in each such Bond Year.

The Cash Flow Statement filed with respect to the issuance of a Series of Bonds may reflect all facts shown on the most recently filed general Cash Flow Statement, if any, modified to reflect the issuance of such 2006A Bonds and the receipt of any Pledged Receipts and the payment of any 2006A Bonds which are a reflection of events that have occurred which may, in the judgment of the Issuer, have a material adverse effect on the ability of the Issuer to timely pay Debt Service on the 2006A Bonds or on the Series of Bonds to which such Cash Flow Statement relates.

If the Issuer is unable to deliver a Cash Flow Statement as described in the first paragraph of this section because of an actual or projected deficiency in any six month period ending on an Interest Payment Date in the amount of funds expected to be available for the purposes described in the Indenture during such six month period ending on an Interest Payment Date, the Issuer shall not be in default under the Indenture but shall take all reasonable actions or remedies permitted or available under the Indenture with respect to the assets constituting the applicable Trust Estate thereunder, to eliminate such deficiency and the Issuer shall thereupon file a current Cash Flow Statement reflecting the elimination of such deficiency. The Issuer shall be precluded from taking the actions described or referenced above if the referenced Cash Flow Statement shall show that the taking of such action shall cause a deficiency to occur or to occur sooner or shall increase any existing deficiency in any Series of Outstanding Bonds or Bonds proposed to be issued.

## **CONTINUING DISCLOSURE**

The Issuer has covenanted for the benefit of Holders of the 2006A Bonds to provide certain financial information and operating data relating to the Issuer, the 2006A Program and the 2006A Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated material events. Such covenant shall apply only as long as the 2006A Bonds remain outstanding under the Indenture. The covenant shall also cease upon the termination of the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administration action. The Annual Report will be filed by the Issuer with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRs") described in the Form of the Continuing Disclosure Agreement attached hereto as APPENDIX E, as well as any state information depository that is subsequently established in the State (the "SID"). The notices of material events will be filed by the Issuer with the NRMSIRs or the Municipal Securities Rulemaking Board, and with the SID. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto which shall be executed by the Issuer at the time of issuance of the 2006A Bonds. These covenants have been made in order to assist the Underwriters in complying with the Rule.

Subject to the following sentence, with respect to the 2006A Bonds, no party other than the Issuer is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. The Issuer has contracted with Digital

Assurance Certification, LLC for purposes of providing certain secondary market disclosure services for the Issuer. The Issuer has not failed to comply with any prior agreements to provide continuing disclosure pursuant to the Rule.

### **DISCLOSURE PURSUANT TO SECTION 517.051, FLORIDA STATUTES**

Rule 69W-400.003, Rules of Government Securities under Section 517.051(1), Florida Statutes, promulgated by the Florida Department of Financial Services, Office of Financial Regulation, Division of Securities and Finance ("Rule 69W-400.003"), requires the Development Corporation to disclose each and every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the Development Corporation after December 31, 1975. Rule 69W-400.003 further provides, however, that if the Development Corporation, in good faith, believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted.

The Issuer is not and has not since December 31, 1975, been in default as to principal or interest on any of its bonds or other debt obligations, except with respect to one conduit issue of multifamily mortgage revenue bonds, which was declared to be in default on or about April 1, 1988, and which was fully paid and retired on July 31, 1989.

### **TAX EXEMPTION**

Section 143 of the Code provides that the interest on qualified mortgage bonds will not be included in the gross income of the owners thereof for federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the qualified mortgage bonds, the use of the proceeds of the qualified mortgage bonds, and the nature of the residences and the mortgages and the eligibility of the borrowers executing the mortgages financed by the qualified mortgage bonds. The Issuer has included provisions and procedures in the Indenture, the 2006A Origination Agreements and the other Program Documents in order to meet such requirements of the Code with respect to the 2006A Bonds, and the Issuer has covenanted to comply with such provisions and procedures. Such provisions and procedures are described in "THE 2006A PROGRAM" herein. No assurance can be given that the Issuer will be able to meet the requirements of the Code applicable to qualified mortgage bonds.

Certain of the requirements of the Code must be met subsequent to the issuance and delivery of the 2006A Bonds for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2006A Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the 2006A Bonds regardless of the date on which such noncompliance occurs or is ascertained. Those requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the 2006A Bonds and other amounts are to be invested and require that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America.

In addition to the covenants described above, the Issuer has covenanted in the Indenture, among other things, not to take any action or fail to take any action or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if such action or inaction would adversely affect the exclusion from gross income of the owners thereof for purposes of federal income taxation of interest on the 2006A Bonds.

In the opinion of Bryant Miller Olive, Bond Counsel, under existing law, regulations, judicial decisions and rulings, and assuming continuous compliance with the aforementioned covenants, interest on the 2006A Bonds is excluded from gross income of the owners thereof for federal income taxation. Interest on the 2006A Bonds is an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals or corporations. The 2006A Bonds and the interest thereon are exempt from all income taxes imposed by the laws of the State, except as to estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Except as described above, Bond Counsel will express no opinion regarding the Federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the 2006A Bonds. Prospective purchasers of the 2006A Bonds should be aware that ownership of the 2006A Bonds may result in collateral Federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the 2006A Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the 2006A Bonds, (iii) the inclusion of interest on the 2006A Bonds in earnings of certain foreign corporations doing business in the United States of America for purposes of a branch profits tax, (iv) the inclusion of interest on the 2006A Bonds in passive income subject to Federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the 2006A Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

**PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2006A BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.**

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain Federal tax consequences resulting from the ownership of obligations that are similar to the 2006A Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of Federal tax consequences may have affected the market value of obligations similar to the 2006A Bonds. From time to time, legislative proposals are pending which could have an effect on both the Federal tax consequences resulting from ownership of the 2006A Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the 2006A Bonds.

The 2006A-1 Premium Term Bonds will be offered at prices in excess of the principal amount thereof to achieve a yield based upon the call date rather than the maturity date (the "Callable Premium Bond"). Under the Code, the excess of the cost basis of a Callable Premium Bond over the amount payable at the call date of the Callable Premium Bond that minimizes the yield to the purchaser of the Callable Premium Bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium". For federal income tax purposes, bond premium is amortized over the term of the period to the call date of a Callable Premium Bond. A bondholder will therefore be required to decrease his basis in the Callable Premium Bonds by the amount of amortizable bond premium attributable to each taxable year he holds such Callable Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Holders of the Callable Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such Callable Premium Bonds.

## **LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body where service of process has been effected on the Issuer or, to the knowledge of the Issuer, threatened against or affecting the Issuer or, to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the exclusion of interest on the 2006A-1 Bonds from the gross income of the owners of the 2006A Bonds, for federal income tax purposes or the validity or enforceability of the 2006A Bonds, the Indenture, the Origination Agreements, the Administration and Servicing Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement.

## **UNDERWRITING**

The senior managing underwriter of the Bonds is RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets. RBC Capital Markets, George K. Baum & Company and CitiGroup Global Markets Inc. (collectively, the "Underwriters") have agreed to purchase the 2006A Bonds at the initial offering price thereof, plus accrued interest thereon to the date of delivery. The Underwriters will receive a fee of \$\_\_\_\_\_ upon delivery of the 2006A Bonds.

## **FINANCIAL ADVISOR**

The Issuer has retained CSG Advisors Incorporated, Alpharetta, Georgia, as financial advisor (the "Financial Advisor") to the Issuer in connection with the preparation of the Issuer's plan of financing and with respect to the authorization and issuance of the 2006A Bonds.

Although the Financial Advisor assisted in the preparation of this Official Statement, the Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

### **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds and with regard to the exclusion from gross income of the interest on the 2006A Bonds under existing laws are subject to the approving opinion of Bryant Miller Olive, Tallahassee, Florida, Bond Counsel. Copies of such opinion will be available at the time of the delivery of the 2006A Bonds and the proposed form of such opinion is set forth in APPENDIX F attached hereto.

Certain legal matters will be passed upon for the Issuer by Johnson, Pope, Bokor, Ruppel & Burns, LLP, Clearwater, Florida ("Issuer's Counsel"), and for the Underwriters by their counsel, Greenberg Traurig, P.A., Orlando, Florida.

### **RATING**

The 2006A-1 Bonds (other than the 2006A-2 Bonds) are expected to be rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"). The 2006A-2 Bonds are expected to be rated "Baa2" by Moody's. Such ratings reflect only the view of such organization at the time such ratings are given, and the Issuer makes no representations as to the appropriateness of the ratings. An explanation of the significance of such ratings may be obtained only from Moody's.

The Underwriters and the Financial Advisor furnished certain information and materials to Moody's. Generally, a rating agency bases its rating on such information and material and on investigations, studies and assumptions furnished to and obtained and made by the rating agency.

There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of said rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2006A Bonds.

**MISCELLANEOUS**

Although the Issuer has authorized and approved this Official Statement, the Issuer is a conduit Issuer and is not responsible for the statements made herein except for the information under the captions "THE ISSUER," "CONTINUING DISCLOSURE," "DISCLOSURE PURSUANT TO SECTION 517.051, FLORIDA STATUTES," and "LITIGATION" and the Issuer will not participate in or be responsible for the offering, sale or distribution of the 2006A Bonds.

This Official Statement has been duly approved, executed and delivered by the Issuer.

**HOUSING FINANCE AUTHORITY OF  
PINELLAS COUNTY, FLORIDA**

By: \_\_\_\_\_  
Rodney S. Fischer, Chairman

## APPENDIX A

### DEFINITIONS OF CERTAIN TERMS

This Appendix contains the definitions of certain terms contained in the Indenture of Trust, dated as of January 1, 1998 (the "Master Indenture"), by and between the Housing Finance Authority of Pinellas County, Florida (the "Issuer") and U.S. Bank National Association, formerly known as U.S. Bank National Association formerly known as U.S. Bank Trust National Association (successor to SouthTrust Bank, National Association), as trustee (the "Trustee"), and 2006A Supplemental Indenture of Trust, dated as of April 1, 2006 (the "2006A Supplement" and together with the "Master Indenture" herein referred to as the "2006A Series Indenture") This Appendix is not to be considered a full recitation of all defined terms set forth in such documents and accordingly is qualified by the reference to such documents or the Official Statement including APPENDIX "D" to the Official Statement, "SUMMARY OF THE INDENTURE." The use of the terms "herein," "hereof" or "hereto" in this APPENDIX "A" shall mean and refer to the Master Indenture or the 2006A Supplement as the context so requires.

"Account" means an Account created and established by Article V of the Master Indenture or by a Series Supplement.

"Accumulation Account" means an Accumulation Account created and established by Section 5.09 of the Master Indenture.

"Accumulation Fund" means the Accumulation Fund created and established by Section 5.09 of the Master Indenture.

"Acquisition Accounts" means the Acquisition Accounts in the Program Fund created and established pursuant to Section 5.02 of the Master Indenture.

"Act" means collectively the Florida Housing Finance Authority Law, Chapter 159, Part IV, Florida Statutes, as amended; Pinellas County Code Sections 2-386, et. seq.; and other provisions of applicable law.

"Additional Parity Subordinate Bonds" means any additional bonds, issued on a parity with the 2006A-2 Bonds in accordance with the provisions of the 2006A Supplement.

"Administration Fund" means the Administration Fund created and established by Section 5.09 of the Master Indenture.

"Aggregate Debt Service" means, with respect to any particular time and as of any particular date of computation, the sum of the Debt Service for such Bond Year with respect to all Series of Bonds Outstanding, except for Convertible Option Bonds.

"Audited Financial Statements" means, with respect to the Issuer, the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that, subject to Section 5.11(a) and (d) of the Master Indenture, the Issuer may from time to time, if required by federal or State legal requirements, modify the basis upon which its

financial statements are prepared. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the Issuer to the Trustee, who shall promptly deliver such notice to (a) either the MSRB or each NRMSIR, and (b) the SID.

"Authorized Officer" means the Chairman, Vice Chairman or Executive Director of the Issuer or such other officer or employee of the Issuer designated in writing to the Trustee by the Chairman, Vice Chairman or Executive Director as an Authorized Officer.

"Bond Counsel" means such attorney or firm of attorneys which is nationally recognized to deliver opinions with respect to the validity of issuance of obligations by state and local governmental entities and, if applicable, with respect to the exclusion of interest on such obligations from gross income for federal income tax purposes.

"Bond" or "Bonds" means any Senior Bond or Bonds or any Subordinated Bond or Bonds or any Convertible Option Bond or Bonds, or the issue of Senior Bonds or Subordinated Bonds or Convertible Option Bonds, as the case may be, authorized by the Indenture and issued pursuant to a Series Supplement.

"Bondholder" or "Holder" or "Holder of Bonds" or any similar term (when used with respect to Bonds) means the registered owner of any Outstanding Bond or Bonds.

"Bond Year" means, with respect to the 2006A Bonds shall be the 12-month period ending on the day selected by the Issuer provided that the initial Bond Year may be a year of less than twelve months.

"Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in New York, New York or the city in which the designated corporate trust office of the Trustee is located, are authorized or obligated by law or executive order to be closed for business or (c) if the context relates to an action in which the applicable Investment Agreement Provider must participate, a day on which the applicable Investment Agreement Provider for a particular Series of Bonds is closed for business.

"Capitalized Interest Accounts" means the Capitalized Interest Accounts created and established in the Program Fund pursuant to Section 5.02 of the Master Indenture.

"Cash Flow Statement" means a Cash Flow Statement conforming to the requirements of Section 7.08 of the Master Indenture.

"Certificate of an Accountant" means a certification of the existence of facts rendered by an independent certified public accountant, licensed under the laws of a state and possessing sufficient experience or expertise in matters of the nature concerning which the statements contained in such Certificate are made in order to be able to render such Certificate.

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

"Continuing Disclosure Agreement" means an undertaking by the Issuer made at the time of issuance of each Series of Bonds in order to enable the purchaser of such Series of Bonds to comply with the applicable requirements of Rule 15c2-12 of the Securities Exchange Commission.

"Conventional Mortgage Loan" means a Mortgage Loan which is not FHA Insured, VA Guaranteed or the subject of an RD Guaranty.

"Convertible Option Bonds" means Tender Bonds of a Series that are secured only by the applicable Proceeds Fund, an escrow account or a similar financial arrangement and are not secured by any other Fund or Account created under the Indenture and are so designated by a Series Supplement, which Convertible Option Bonds may be issued without the necessity of obtaining a rating thereon.

"Cost of Issuance Accounts" means the Cost of Issuance Accounts in the Program Fund created and established pursuant to Section 5.02 of the Master Indenture and each Series Supplement.

"Costs of Issuance" means all items of expense payable or reimbursable directly or indirectly by the Issuer and related to the authorization, sale and issuance of the Bonds, as certified by an Authorized Officer, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary and other private parties performing services for the Issuer or under the Indenture or one or more Series Supplements in connection with the issuance or payment of Bonds, legal fees and charges, fees and disbursements of consultants and professionals, bond discount and other financing costs (if not otherwise provided for), the initial Credit Facility Fees, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding and redemption, costs of any verification report and any other cost, charge or fee in connection with the original issuance of Bonds. Costs of Issuance may be payable from Bond proceeds or from other funds available to the Issuer.

"Cost of Remarketing Accounts" means the Cost of Remarketing Accounts in the Program Fund created and established pursuant to a Series Supplement in accordance with Section 5.02 of the Master Indenture.

"Costs of Remarketing" means expenses related to the remarketing of Tender Bonds, which expenses include, but shall not be limited to, printing costs, costs of reproducing documents, filing and recording fees, costs of credit rating, costs of any verification report, premiums or other charges for Credit Facilities, fees and charges of remarketing agents, the Trustee and other Fiduciaries, legal fees and disbursements, professional consultants' fees and disbursements, reimbursement to the Issuer and its agents for administrative, travel and overhead expenses, bond discount and all other costs, charges, fees and expenses in connection with the foregoing.

"Co-Trustee" means a Co-Trustee appointed by and designated in a Series Supplement.

"Counsel's Opinion" means an opinion signed by any attorney or firm of attorneys (who may be employed or retained by or of counsel to the Issuer or an attorney employed by the

Trustee) licensed to practice in the state in which he or it maintains an office (and if the opinion is with respect to an interpretation of federal tax laws or regulations, is also a nationally recognized attorney or firm of attorneys experienced in such matters), selected or employed by the Issuer.

"Credit Facility" means a letter of credit, bond insurance policy, credit commitment, line of credit, guaranty, surety bond or other credit facility, issued with respect to any Bonds by a state chartered banking corporation or trust company, national banking association or other financial institution or any insurance company having any outstanding long-term senior unsecured and uninsured obligations rated or assessed in the highest rating category by the Rating Agency.

"Credit Facility Fee" means any fee payable by the Issuer with respect to any Credit Facility.

"Debt Service" means, with respect to any particular Bond Year and any Series of Bonds, an amount equal to the sum of (a) all interest payable during such Bond Year on such Bonds Outstanding plus (b) the Principal Installment or Installments during such Bond Year on such Bonds Outstanding, all calculated on the assumption that Bonds Outstanding on the day of calculation will cease to be Outstanding by reason of, but only by reason of, payment upon maturity and application of all Sinking Fund Installments in accordance with the Indenture and the Series Supplement establishing such Sinking Fund Installments. In the event that the Issuer issues Bonds bearing interest at a variable rate, "Debt Service" with respect to such Bonds will be based on the assumptions as set forth in the Series Supplement pursuant to which such Bonds are issued. Payment of interest or any Principal Installment shall be excluded from the determination of Debt Service to the extent that such interest or Principal Installment is to be paid from the proceeds of Bonds or other available moneys held by the Trustee hereunder or in an Escrow Deposit Agreement or from investment (but not reinvestment) earnings thereon if such proceeds or moneys shall have been invested in Permitted Investments, but only to the extent that such earnings may be determined precisely.

"Debt Service Accounts" means the Debt Service Accounts in the Debt Service Fund created and established by Section 5.09 of the Master Indenture.

"Debt Service Fund" means the Debt Service Fund created and established by Section 5.09 of the Master Indenture.

"Debt Service Reserve Accounts" means the Debt Service Reserve Accounts in the Debt Service Reserve Fund created and established pursuant to Section 5.09 of the Master Indenture.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created and established by Section 5.09 of the Master Indenture.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the sum of all amounts, if any, specified as such in the applicable Series Supplements for all Series of Bonds Outstanding as of such date of calculation. The Debt Service Reserve Fund Requirement for the 2006A Senior Bonds is \$0 and the Debt Service Reserve Fund Requirement for the 2006A-2 Bonds is an amount equal to six months of the

annual debt service on the outstanding principal amount of the 2006A-2 Bonds as of each Interest Payment Date, as determined on each Interest Payment Date following any redemptions thereof on such Interest Payment Date.

"Delivery Period" shall mean, with respect to the 2006A Bonds, the period for the delivery of 2006A Guaranteed Mortgage Securities and the 2006A Whole Mortgage Loans to the Trustee by the Servicer as set forth in Exhibit E to the 2006A Supplement, to be acquired from amounts in the 2006A Acquisition Account subject to extension as provided in the 2006A Program Administration and Servicing Agreement and the 2006A Supplement.

"Depository" means the Trustee, acting as Depository, or any bank, trust company or national banking association designated or appointed pursuant to Section 8.01(b) of the Master Indenture and the applicable Series Supplement.

"Escrow Deposit" means a deposit under an escrow or other similar arrangement for the benefit of the Trustee of Permitted Investments in an amount (including the amount of any surety bond) equal at the time of deposit to the amount required in any Series Supplement in connection with the issuance of a Series of Bonds provided that the Depository under such arrangement shall be an institution having the qualifications set forth in Section 8.01(b) of the Master Indenture and provided that the terms of such arrangement and the identity of the applicable Depository are acceptable to the Rating Agency as acknowledged in writing by such Rating Agency.

"Event of Default" means any of the events of default described in Section 11.01 of the Master Indenture.

"Extraordinary Expenses" means reasonable expenses of the Trustee (other than Ordinary Expenses) including reasonable fees and disbursements of attorneys or agents retained by, or employees hired by the Trustee to assist it in exercising its powers and its duties under the Indenture, whether or not such assistance is related to litigation or any trial or appeal resulting therefrom, which Extraordinary Expenses shall be limited to the extent set forth with respect to each Series of Bonds as set forth in the applicable Series Supplement.

"Fannie Mae" means Fannie Mae, a corporation organized and existing under the laws of the United States of America, or any successors or assigns.

"FHA" means the Federal Housing Administration of the United States Department of Housing and Urban Development, or other agency or instrumentality created or chartered by the United States of America to which the powers of the Federal Housing Administration have been transferred.

"FHA Insurance" means FHA mortgage insurance issued by the FHA under one of its insurance programs pursuant to the provisions of the National Housing Act, particularly Sections 203(b) (Home Unsubsidized), 203(k), 203(h), 221(d)(2) and 234(c) (Condominium Ownership) or any other FHA insurance program approved by the Issuer.

"FHA Insured" means insured under FHA Insurance.

"Fiduciary" means the Trustee, any Co-Trustee, the Registrar and each Paying Agent and Depository and any other person designated as a Fiduciary in a Series Supplement.

"Fiscal Year" means October 1 through September 30 or any other twelve month period permitted by law and agreed to by the Issuer.

"FHLMC " or "Freddie Mac " means the Federal Home Loan Mortgage Corporation.

"FHLMC Securities" or "Freddie Mac Securities" means mortgage participation certificates issued by FHLMC and representing an undivided interest in a pool of Conventional Mortgage Loans identified by particular alphanumeric numbers and CUSIP number and guaranteed as to timely payment of principal and interest by FHLMC.

"FNMA Securities" or "Fannie Mae Securities" means single pool, guaranteed mortgage pass-through FNMA Mortgage-Backed Securities, issued by FNMA and guaranteed as to timely payment of principal and interest by FNMA and backed by Conventional Mortgage Loans.

"Fund " means a fund created and established by Article V of the Master Indenture.

"GAAP " means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board ("GASB").

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

"GNMA Guaranty" means the guaranty of GNMA set forth on each of the GNMA Certificates (unless in book-entry form) pursuant to which GNMA has agreed to guarantee the timely payment of GNMA Certificates.

"GNMA Securities" or "GNMA Certificates" means securities issued by a Servicer and guaranteed by GNMA pursuant to its GNMA I or GNMA II mortgage-backed securities program under Section 306(g) and other related provisions of the National Housing Act.

"Government Obligations" means obligations (including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury or the Federal Reserve System) of the United States of America or as to which the principal thereof and interest thereon are guaranteed by the United States of America.

"Guaranteed Mortgage Securities" means obligations representing undivided beneficial ownership interests (unless any other interest therein is allowed by the Act) in Mortgage Loans or Program Related Loans, which obligations are issued by or guaranteed by GNMA, FNMA or FHLMC (as specified in a Series Supplement) or, to the extent set forth in a Series Supplement, any other agency or instrumentality of or chartered by the United States of America to which the powers of any of the above have been transferred or which have similar powers to purchase or guarantee timely payment of mortgage loans. "Guaranteed Mortgage Securities," with respect to the 2006A Bonds, shall mean GNMA Certificates, Fannie Mae or Freddie Mac Securities.

"Home Key" or "Home Key Loan" means a Mortgage Loan bearing interest at the Home Key Rate.

"Home Key Loan Program" means the program whereby the 2006A Loan will bear interest at a Home Key Rate.

"Home Key Plus 2nd Loan" means a 2006A Whole Mortgage Loan bearing interest at the Home Key Plus 2nd Loan Rate, the proceeds of which provide down payment and closing cost assistance to the mortgagor.

"Home Key Plus 2nd Loan Program" means the program whereby the 2006A Whole Mortgage Loans may be used in conjunction with Home Key Loans to fund closing cost and down payment assistance.

"Home Key Plus 2nd Rate" means the rate set forth in Exhibit E of the 2006A Supplement for Home Key Plus 2nd Loans, subject to revision as provided in the 2006A Supplement .

"Home Key 2nd Loan" means a 2006A Whole Mortgage Loan bearing interest at the Home Key 2nd Loan Rate, the proceeds of which provide down payment and closing cost assistance to the mortgagor.

"Home Key 2nd Loan Program" means the program whereby the 2006A Whole Mortgage Loans may be used in conjunction with Home Key Loans to fund closing cost and down payment assistance.

"Home Key 2nd Loan Rate" means the rate set forth in Exhibit E of the 2006A Supplement for Home Key 2nd Loans, subject to revision as provided in the 2006A Supplement .

"Home Key Rate" means the rate set forth in Exhibit E of the 2006A Supplement for Home Key Loans, subject to revision as provided in the 2006A Supplement .

"Insurance Proceeds" means payments received with respect to the Mortgage Loans under any insurance policy or guarantee or under any fidelity bond or pursuant to a transfer of amounts held in the Mortgage Reserve Accounts.

"Insured Bonds" means Bonds of a Series which are secured by a policy of Municipal Bond Insurance.

"Interest Payment Date" shall mean with respect to the 2006A Bonds, March 1 and September 1 of each year, commencing September 1, 2006.

"Interlocal Agreement" means an agreement between the Issuer and a Subsidiary complying with the provisions of Section 163.01, Florida Statutes.

"Issuer" means the Housing Finance Authority of Pinellas County, Florida, a public body corporate and politic, organized and existing under the Act by the Board of County

Commissioners of Pinellas County, Florida and any successors to its rights, duties and obligations hereunder.

"Lender" means any person approved by the Issuer for participation in the Program who shall finance or originate Mortgage Loans or Program Related Loans, or Mortgage Loans or Program Related Loans underlying Guaranteed Mortgage Securities and/or sell Mortgage Loans, Program Related Loans or Guaranteed Mortgage Securities to another Lender, the Servicer, the Trustee or the Issuer in connection with the issuance of Bonds hereunder.

"Lender Fee" means any fee paid by or on behalf of a Lender to the Issuer pursuant to a Mortgage Origination Agreement.

"Letter of Credit" means an unconditional and irrevocable letter of credit issued by a bank, bank holding company, trust company or other financial institution (including any Fiduciary) whose senior debt (or whose parent holding company's senior debt) is rated in the highest applicable rating category by the Rating Agency, and which permits the Trustee to draw thereunder upon certification of the occurrence of an event contemplated by a Series Supplement as giving rise to such draw, including without limitation, to satisfy the requirements specified in a Series Supplement. Any Letter of Credit expiring prior to the final maturity of the Bonds of the applicable Series shall provide that the Trustee shall draw thereon if a replacement Letter of Credit is not deposited with the Trustee at least thirty (30) days prior to such expiration.

"Liquidation Proceeds" means amounts (other than Insurance Proceeds) received in connection with the liquidation of a defaulted Mortgage Loan, whether through foreclosure, trustee's sale, repurchase by a Lender, or otherwise.

"Master Indenture" means the Indenture of Trust, by and between the Issuer and the Trustee dated as of January 1, 1998, and any amendments or supplements made in accordance with Articles IX and X thereof.

"Master Mortgage Origination Agreement" means the Master Mortgage Origination Agreement dated as of May 1, 1998, among the Issuer, the Servicer, the Trustee and the Lenders listed therein, as amended and supplemented from time to time.

"Mortgage Loan" means any loan including any Mortgage Loan or Program Related Loan underlying Guaranteed Mortgage Securities originated, financed or purchased in accordance with the requirements of the Indenture and the applicable Series Supplement, evidenced by a note and secured by a mortgage. "Loan" or "Mortgage Loan" does not include Subordinated Mortgages.

"Mortgage Reserve Accounts" means the Mortgage Reserve Accounts in the Mortgage Reserve Fund created and established pursuant to Section 5.09. of the Master Indenture.

"Mortgage Reserve Fund" means the Mortgage Reserve Fund created and established by Section 5.09 of the Master Indenture.

"Mortgage Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the sum of all amounts, if any, specified as such in the Series Supplements for all Series

of Bonds Outstanding as of such date of calculation. The 2006A Mortgage Reserve Fund Requirement is \$0.

"Municipal Bond Insurance" means a policy of Municipal Bond Insurance security and applicable to a particular Series of Bonds (and no others) as authorized by and described in the applicable Series Supplement.

"National Housing Act" means the National Housing Act of 1937, as amended, 12 U.S.C. §§ 1716 et seq.

"Officer's Certificate" means a certificate executed by an Authorized Officer; provided, however, that any requirement that may be satisfied or fulfilled by an Officer's Certificate may also be satisfied or fulfilled by a Series Supplement to the same extent as if such an Officer's Certificate had been provided.

"Official Statement" means the "final official statement," as defined in paragraph (f)(3) of the Rule, relating to the 2006A Bonds.

"Optional Redemption Accounts" means the Optional Redemption Accounts in the Redemption Fund created and established in Section 5.09 of the Master Indenture.

"Ordinary Expenses" means postage, long distance telephone charges, copies, telefaxing charges, courier services, stationery, supplies, printing and forms and similar expenses incurred by the Trustee or a Co-Trustee in the normal course of business in amounts which shall not exceed (a) any limit thereon established by the respective Series Supplement, or (b) the amount specified in the most recent Cash Flow Statement, as applicable.

"Original Issue Price" means, with respect to all 2006A Bonds except the 2006A-1 Premium Term Bonds, an amount equal to the original principal amount thereof and with respect to the 2006A-1 Premium Term Bonds, an amount equal to \_\_\_\_% of the principal amount outstanding.

"Outstanding" when used with reference to Bonds and unless a different meaning is specified in a Series Supplement, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Master Indenture, except: (a) any Bonds canceled by the Trustee or any Paying Agent at or prior to such date, (b) Bonds for the payment or redemption of which moneys equal to the Principal Amount, Redemption Price or purchase price (in the case of undelivered Tender Bonds), as the case may be, with interest to the date of maturity or redemption date, as the case may be, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the date of maturity or purchase or redemption), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Master Indenture provided or provisions satisfactory to the Trustee shall have been made for the giving of such notice, (c) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III, Section 4.06 or Section 10.05 of the Master Indenture, and (d) Bonds deemed to have been paid as provided in Section 13.01 of the Master Indenture.

"Paying Agent" means the Trustee, acting as paying agent, or any other bank, trust company or national banking association designated or appointed pursuant to Sections 7.03 and

8.02 of the Master Indenture to act as a paying agent for the Bonds, and each successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Indenture.

"Permitted Investments" means the following investment obligations, provided such obligations at the time of investment are determined by the Issuer to be legal obligations with respect to such investment under the laws of the State:

- (a) Government Obligations;
- (b) certificates of deposit of national or state banks to the extent such certificates of deposit are fully insured by the Federal Deposit Insurance Corporation (including any such certificates of deposit of any bank acting as Depository, custodian or trustee for any proceeds of the Bonds) or collateralized as may be required by any applicable laws of the State and GNMA Securities, Fannie Mae Securities and FHLMC Securities;
- (c) money market accounts of the Trustee or any other state or federally chartered lending institution, which accounts are secured by or invested in obligations described in (a) or (b) above; provided, however, "Permitted Investments" shall be limited to those investments the rating on which is at least equal to the then current rating of the Senior Bonds, unless the relevant Rating Agency for a particular Series of Bonds shall have given written confirmation that there will be no adverse effect on such Series Bond rating in the event certain moneys in certain funds or accounts under the Indenture are invested in lower-rated investments.
- (d) Investment Agreements; and
- (e) any other investments permitted by law for the investment of the Issuer's funds;

"Pledged Property" means, with respect to all Bonds except Convertible Option Bonds, (a) the proceeds of sale of the Bonds, (b) all right, title and interest of the Issuer in and to the Guaranteed Mortgage Securities and in and to all Mortgage Loans and related mortgage notes and mortgages (subject to the prior right of mortgagors to receive mortgage payment credits, or the U.S. Treasury Department to receive rebates, as required by the Code), and may include Program Related Loans to the extent provided in a Series Supplement, financed with the proceeds of the Bonds, and delivered to the Trustee to be held in trust under the Indenture (provided that such Mortgage Loans or Guaranteed Mortgage Securities shall not constitute Pledged Property for any period during which they are held by a Warehouse Provider pursuant to a Warehouse Agreement), including (i) the present and continuing right to make claim for, collect, receive and receipt for all amounts receivable by the Issuer thereunder, (ii) to bring actions and proceedings under the mortgage notes and related mortgages or for the enforcement thereof, and (iii) to do any and all things that the Issuer is or may become entitled to do under the mortgage notes and related mortgages; (c) the Pledged Receipts, (d) the Supplemental Security, (e) all the rights and interests of the Issuer in and to all Credit Facilities entered into with respect to any Bonds and all moneys and payments derived therefrom (except to the extent provided to the contrary in a Series Supplement), (f) all other moneys in all Funds and Accounts created or established by, or maintained pursuant to, the Indenture (except moneys in (1) the Rebate Fund, Administration Fund, or any Cost of Issuance Account (2) any Remarketing Account, to the

extent held therein to pay the purchase price of Tender Bonds, (3) any funds made available to make all or a portion of certain Mortgage Loans from SHIP Funds or other funds provided by the Issuer, (4) any Account established pursuant to a Series Supplement and specified not to be Pledged Property (including for example, for payment to the purchaser of a portion of the principal or interest component of specific Mortgage Loans or Guaranteed Mortgage Securities) and (5) Proceeds Funds created with respect to Convertible Option Bonds, including the investments therein and the proceeds of such investments, if any, and the earnings on such investments until applied in accordance with the terms of the Indenture) and (g) the money, securities and funds and all other right of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder. "Pledged Property" means, with respect to Convertible Option Bonds, the funds or Permitted Investments in the Proceeds Fund relating to the Series of Convertible Option Bonds and the investment earnings thereon.

"Pledged Receipts" means all moneys received by or on behalf of the Issuer or Trustee representing (a) interest payments on all payments received from Guaranteed Mortgage Securities (excluding the portion of any payments with respect to specific Mortgage Loans or Guaranteed Mortgage Securities which are not pledged as specified in a Series Supplement including repayment of SHIP funds or payments which are required to be paid to a Warehouse Provider pursuant to a Warehouse Agreement), (b) proceeds of the sale of Guaranteed Mortgage Securities, Mortgage Loans and Program Related Loans as specified in a Series Supplement by or on behalf of the Issuer, (c) interest earnings received on the investment of amounts in any Fund or Account (other than as stated in Section 13.01(d) of the Master Indenture and the earnings on the invested proceeds of Convertible Option Bonds), and (d) amounts deposited with the Trustee and reflected in the current Cash Flow Statement as necessary for purposes of the certification required by the second paragraph of Section 7.08 of the Master Indenture.

"Prepayment" means any payment by a mortgagor or other recovery of principal on a Mortgage Loan other than a scheduled installment of principal on a Mortgage Loan and the portion of any Insurance Proceeds (to the extent not applied to the repair or restoration of any mortgaged premises), Liquidation Proceeds or other payments representing such principal amounts.

"Principal Amount" means, with respect to any Bond and at any date of computation, either the stated principal thereof or the amount designated as the Principal Amount thereof pursuant to the applicable Series Supplement.

"Principal Installment" means, as of any Principal Payment Date and with respect to any Series, so long as any Bonds thereof are Outstanding, the amount payable on account of: (a) the Principal Amount of Bonds of such Series maturing on such Interest Payment Date net of the aggregate of Sinking Fund Installments, if any, established and paid previously with respect to Bonds of such Series B and maturity; plus (b) the amount of any Sinking Fund Installments due on such Interest Payment Date with respect to Bonds of such Series.

"Proceeds Fund" means a Proceeds Fund relating to a specific Series of Convertible Option Bonds, authorized by Section 5.09 of the Master Indenture and created by the applicable Series Supplement, having a distinguishing Series designation in the name of the fund so created.

"Program Administration and Servicing Agreement" shall mean the Program Administration and Servicing Agreement, dated as of April 1, 2006, between the Issuer and the Servicer.

"Program Determinations" means the Program Determinations made with respect to a Series of Bonds by the Issuer and "2006A Program Determinations" means the 2006A Program Determinations dated as of April 1, 2006.

"Proportionate Basis" means that the amount of Bonds of a Series of a particular maturity to be redeemed shall be determined by multiplying the total amount of funds available for redemption by the ratio which the principal amount of Bonds of such Series of such maturity then Outstanding bears to the aggregate principal amount of Bonds of a Series then Outstanding and subject to redemption, provided that if the amount available for redemption of Bonds of any maturity is insufficient to redeem an integral multiple of \$5,000 of such maturity, such amount shall be applied to the redemption of the highest possible integral multiple of \$5,000 (if any) of such maturity, and the balance shall be applied, to the extent possible using integral multiples of \$5,000, to the redemption of Bonds of such Series of each maturity in inverse order of maturity.

"Rating Agency" means Standard & Poor's and/or Moody's Investors Service and/or Fitch I.B.C.A. and/or any other nationally recognized bond rating agency, to the extent that any such rating agency has assigned a rating to any Bonds Outstanding as requested by or on behalf of the Issuer, and which rating is then currently in effect, or any successor(s) to their respective functions, assigns or any other nationally recognized Rating Agency which has been selected by the Issuer, currently Moody's Investors Service.

"RD" means: Rural Development (formerly the Farmers Home Administration), United States Department of Agriculture, its successors and assigns.

"RD Guaranty" means a guaranty of a Mortgage Loan pursuant to the RD's Guaranteed Rural Housing Loan Program.

"RD Mortgage Loan" means a Mortgage Loan guaranteed by the RD.

"Rebate Accounts" means the Rebate Accounts created and established in the Rebate Fund pursuant to Section 5.09 of the Master Indenture.

"Rebate Analyst" means the person or firm then appointed by the Issuer in the applicable Series Supplement to perform the duties of a Rebate Analyst hereunder and under the applicable Series Supplement, which may be the Trustee or the Issuer.

"Rebate Analyst Fees" means an amount to be paid to the person or firm then providing or arranging for the services of a Rebate Analyst.

"Rebate Fund" means the Rebate Fund created and established by Section 5.09 of the Master Indenture.

"Rebate Requirement" means, with respect to a Series of Bonds, the amount specified in a report submitted by the Rebate Analyst conforming to the requirements and of the applicable

Series Supplement required to be rebated to the United States of America on or before a particular date.

"Redemption Fund" means the Redemption Fund created and established by Section 5.09 of the Master Indenture.

"Redemption Price" means, when used with respect to any Bond or portion thereof to be redeemed, unless otherwise specified in the applicable Series Supplement, 100% of the Principal Amount of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Indenture and the applicable Series Supplement.

"Registrar" means the Trustee, acting as registrar for the Bonds, or any other bank, trust company or national banking association designated or appointed pursuant to Section 8.02 of the Master Indenture to act as registrar for the Bonds, and each successor and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Master Indenture.

"Remarketing Account" means the Remarketing Account created pursuant to a Series Supplement pursuant to which the moneys on deposit therein are to be applied to the purchase of Tender Bonds.

"Remarketing Agent" means the Remarketing Agent, if any, for Tender Bonds appointed by the Issuer in a Series Supplement.

"Remarketing Agreement" means the Remarketing Agreement, if any, relating to a Series of Bonds as specified in a Series Supplement.

"Resolution" means Resolution No. 98-01, authorizing the initial issuance of bonds under the Master Indenture adopted on January 6, 1998, as supplemented and amended from time to time including a Resolution adopted on March 7, 2006 authorizing the issuance of the 2006A Bonds.

"Revenue Accounts" means the Revenue Accounts in the Revenue Fund created and established pursuant to Section 5.09 of the Master Indenture.

"Revenue Fund" means the Revenue Fund created and established by Section 5.09 of the Master Indenture.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of issuance of the 2006A Bonds, including any official interpretations thereof issued either before or after such date which are applicable to Article V of the 2006A Supplement.

"SEC" means the United States Securities and Exchange Commission.

"Second Mortgage Note" means the promissory note evidencing the obligation to repay a Home Key 2nd Loan or a Home Key Plus 2<sup>nd</sup> Loan.

"Securities Depository" means The Depository Trust Company or any other securities depository selected by the Issuer which agrees to follow the procedures required to be followed by a securities depository in connection with a Series of Bonds as provided in a Series Supplement.

"Senior Bonds" means Bonds authorized by the Master Indenture and issued pursuant to a Series Supplement, including the 2006A Senior Bonds which by their terms are senior in right of payment to Subordinated Bonds.

"Senior Debt Service Requirement" means, as of any Interest Payment Date, the sum of (a) all interest due or to become due on such date on all Outstanding Senior Bonds plus (b) all Principal Installments due or to become due on such date on all Outstanding Senior Bonds or, unless otherwise provided in the applicable Series Supplement, if no Principal Installment is due and payable on such date on any Outstanding Senior Bonds, a pro rata portion of the Principal Installment, if any, due and payable on all Outstanding Senior Bonds on the next succeeding Interest Payment Date representing the amount deemed to be accrued as of the Interest Payment Date on which such calculation is made.

"Serial Bonds" means all Bonds not constituting Term Bonds.

"Series of Bonds" or "Bonds of a Series" means any Series of Bonds authorized by a Series Supplement.

"Series Supplement" means a Supplemental Indenture executed and delivered by the Issuer and authorizing the issuance of one or more Series of Bonds in accordance with the terms and provisions hereof which contains provisions applicable to such Series of Bonds only.

"Servicer" means U.S. Bank N.A. operating by and through U.S. Bank Home Mortgage - MRBP Division, and its successors and assigns serving as such under the Master Mortgage Origination Agreement..

"SID" means, at any time, a then existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the date of issuance of the 2006A Bonds, there is no SID.)

"Sinking Fund Installment" means the amount required to be applied by the Issuer to the payment of the principal portion of the Redemption Price of Term Bonds (other than at the option or election of the Issuer) on any date specified as such in a Series Supplement.

"Special Redemption Accounts" means the Special Redemption Accounts in the Redemption Fund created and established pursuant to Section 5.09 of the Master Indenture.

"State" means the State of Florida.

"Subordinated Bonds" means the 2006A-2 issued pursuant to the 2006A Supplement together with any Additional Parity Subordinate Bonds issued pursuant to a future Supplemental Indenture or any Bonds authorized by the Master Indenture and issued pursuant to a Series

Supplement which by their terms are junior in right of payment to Senior Bonds and payable solely from the Subordinated Debt Service Fund, excluding Convertible Option Bonds.

"Subordinated Mortgage" or "Second Mortgage" means the second lien mortgage securing repayment of a Home Key 2nd Loan or a Home Key Plus 2<sup>nd</sup> Loan.

"Subsidiary" means any other governmental or other entity authorized by law to participate in a Program with the Issuer and which has entered into a valid and binding agreement with the Issuer relating to such Program.

"Supplemental Indenture" means any indenture of the Issuer supplementing or amending the Master Indenture generally, the provisions of which are or may be applicable to more than one Series of Bonds.

"Surplus Pledged Receipts" means amounts available for deposit into a Special Redemption Account from the Revenue Fund pursuant to Section 5.11(e) of the Master Indenture or transferred to a Special Redemption Account from the Accumulation Fund pursuant to Section 5.20(c) of the Master Indenture.

"Taxable Bonds" means Bonds the interest on which is includable in gross income of the Bondowner thereof for Federal income tax purposes.

"Tender Bonds" means Bonds which include one or more optional or mandatory tenders by the Bondholders thereof to have such Bonds either purchased or redeemed prior to the maturity thereof including Convertible Option Bonds.

"Term Bonds" means Bonds subject to redemption from Sinking Fund Installments in accordance with provisions of the applicable Series Supplement.

"Trustee" means U.S. Bank National Association, having a designated corporate trust office in Fort Lauderdale, Florida, and its successor or successors and any other person at any time substituted in its place pursuant to the Master Indenture and any future Co-Trustee.

"Trustee Fees" means the compensation to be paid the Trustee for its services and Ordinary Expenses under the Indenture relating to each Series of the Bonds as specified in the applicable Series Supplement.

"Trust Estate" means the Pledged Property and other property pledged to the payment of any Bonds pursuant to Section 5.01 of the Master Indenture or any Series Supplement.

"2006A Accumulation Account" means the subaccount in the Accumulation Fund so designated which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Acquisition Account" means the subaccount in the Acquisition Account of the Program Fund so designated which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Administration Account" means the Account in the Administration Fund so designated which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Asset Parity Test" means a calculation of the ratio of the assets to liabilities of the 2006A Program such that the 2006A Asset Parity Test shall be passed if such ratio is greater than or equal to 104%. For purposes of this test the assets of the 2006A Program include, as of any date of calculation, all moneys, Permitted Investments, 2006A Whole Mortgage Loans and 2006A Guaranteed Mortgage Securities (including accrued interest thereon), credited to the 2006A Acquisition Account, 2006A Revenue Account, the 2006A Special Redemption Account, the 2006A Accumulation Account, the 2006A Capitalized Interest Account, the 2006A Debt Service Account, the 2006A Subordinated Debt Service Account, but excluding the 2006A SHIP Funds Subaccount in the 2006A Acquisition Account and further excluding the 2006A Administration Fund, the 2006A Costs of Issuance Account and the 2006A Rebate Account. For purposes of this test the liabilities of the 2006A Program include, as of any date of calculation, the principal amount of the Series 2006A Bonds Outstanding, plus accrued interest thereon.

"2006A Capitalized Interest Account" means the Account by that name created in the Program Fund which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Costs of Issuance Account" means the Account in the Program Fund so designated which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Debt Service Account" means the account by that name created in Section 3.04 of the 2006A Supplement.

"2006A Guaranteed Mortgage Securities" or "2006A GMS" means with respect to the 2006A Bonds, GNMA Certificates, Fannie Mae Securities or Freddie Mac Securities purchased with funds on deposit in the 2006A Acquisition Account.

"2006A Issuer Fee" means the Issuer Fee with respect to the 2006A Program, as shown on Exhibit E attached to the 2006A Supplement, which, except as otherwise noted on Exhibit E attached to the 2006A Supplement, shall be transferred automatically by the Trustee from the 2006A Administration Account of the Administration Fund to the Issuer semi-annually in arrears on each Interest Payment Date, commencing March 1, 2007 or on the first semi-annual Interest Payment Date which is at least six months after the last 2006A Guaranteed Mortgage Security is purchased with respect to 2006A Guaranteed Mortgage Securities, and which shall be calculated on the basis of the unpaid principal balance of the 2006A Guaranteed Mortgage Securities, as applicable, outstanding on the day prior to the applicable Interest Payment Date, as described in Section 4.03 of the 2006A Supplement.

"2006A Mortgage Loan" means a Mortgage Loan originated from proceeds of the 2006A-1 Bonds or other funds provided for the 2006A Program, which 2006A Mortgage Loans shall conform in all respects to the provisions of the 2006A Supplement and the 2006A Mortgage Origination Agreement and shall include Home Key Loans.

"2006A Optional Redemption Account" means the Account by that name which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Pledged Receipts" means the Pledged Receipts as defined in the Master Indenture as such relates to the 2006A Bonds, all SHIP funds, but including the interest earned thereon and excluding all funds in the 2006A Rebate Account, 2006A Administration Account and 2006A Cost of Issuance Account.

"2006A Premium Term Bond" shall mean those 2006A-1 Bonds described as Premium Term Bonds maturing on September 1, 2036.

"2006A Prepayments" means Prepayments attributable to 2006A Mortgage Loans and after no 2006A-2 Bond remains Outstanding shall also include Prepayments on 2006A Whole Mortgage Loans.

"2006A Proceeds Refunding Account" means the account by that name created pursuant to Section 3.04 of the 2006A Supplement.

"2006A Program" means that portion of the Program (including the Home Key 2<sup>nd</sup> Loan Program, Home Key Plus 2<sup>nd</sup> Loan Program and the Home Key Loan Program) pursuant to which the Issuer has determined to finance or acquire 2006A Guaranteed Mortgage Securities, 2006A Whole Mortgage Loans and/or to otherwise effectuate its public purpose of providing single family housing, all in accordance with the Act, the 2006A Mortgage Origination Agreement and the 2006A Series Indenture.

"2006A Rebate Account" means the Account by that name which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Reserve Requirement" shall mean, initially \$\_\_\_\_, **[which is an amount equal to six months of the maximum annual debt service on the outstanding principal amount of the 2006A-2 Bonds as of each Interest Payment Date]**, as determined on each Interest Payment Date following any redemptions thereof on such Interest Payment Date.

"2006A Revenue Account" means the Account in the Revenue Fund so designated which is created and established pursuant to Section 3.04 of the 2006A Supplement.

"2006A Subordinated Debt Service Account" means the account created pursuant to Section 3.04 of the 2006A Supplement.

"2006A Subordinated Debt Service Reserve Account" means the account created pursuant to Section 3.04 of the 2006A Supplement.

"2006A Surplus Pledged Receipts" means amounts available for transfer into the 2006A Special Redemption Account initially from the 2006A Revenue Account as provided in Section 5.11(e) of the Master Indenture and, after satisfying the conditions of Section 3.05(j) of the 2006A Supplement from either the 2006A Revenue Account or from the 2006A Accumulation Account as provided in Section 5.20(c) of the Master Indenture.

"2006A Trustee Fees" means the fees and expenses of the Trustee, equal to (a) an initial fee in the amount of \$\_\_\_\_ (including fees and expenses of counsel) payable on the Closing Date, (b) an annual fee in the amount of 0.025% of the Outstanding principal amount of the

2006A Bonds, payable in advance in semi-annual installments on each Interest Payment Date (after giving effect to the payment of any principal on such date), commencing September 1, 2006. In addition, the Trustee may be reimbursed up to 0.002% annually of the Outstanding principal amount of 2006A Bonds to pay the Trustee's actual reasonable ordinary expenses.

"2006A Whole Mortgage Loan" means a second lien mortgage loan which evidences a Home Key 2nd Loan or a Home Key Plus 2<sup>nd</sup> Loan.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

"VA" shall mean the Veterans Administration, an agency of the United States of America, or any successor to its functions.

"VA Guaranteed" shall mean guaranteed by the VA under the Serviceman's Readjustment Act of 1944, as amended.

"VA Guaranty" shall mean a guaranty by the VA under the Serviceman's Readjustment Act of 1944, as amended.

"Value of the Property" means, if an appraisal is available, the lower of (a) the appraised value of the residential property securing a Mortgage Loan at the time the Mortgage Loan is closed, such appraised value being the fair market value as determined by an appraiser acceptable to the Issuer or if an appraisal is not available (b) the purchase price paid for the residential property securing a Mortgage Loan.

"Warehouse Provider" means the provider of a Warehouse Agreement, acceptable to the Rating Agency.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Trustee" and "person" shall include the plural as well as the singular number. The word "person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**APPENDIX B**  
**HOUSING FINANCE AUTHORITY OF PINELLAS COUNTY, FLORIDA**  
**SINGLE FAMILY HOUSING REVENUE BOND PROGRAM**

**OUTSTANDING BONDS TABLE**

<u>Series Designation</u>	<u>Principal Amount Outstanding</u>
Series 1998A	\$ 6,475,000.00
Series 1998C	4,705,000.00
Series 1999A	6,517,173.40
Series 1999B	6,355,982.15
Series 2000A	3,385,534.50
Series 2000B	2,284,039.70
Series 2001A	12,175,000.00
Series 2001B	8,140,000.00
Series 2002A	8,340,000.00
Series 2002B	11,910,000.00
Series 2003A	10,235,000.00
Series 2003B	10,150,000.00
Series 2004A	15,040,000.00
Series 2005A	18,520,000.00
Series 2005B	15,280,000.00

**APPENDIX C**  
**LIST OF PARTICIPATING LENDING INSTITUTIONS**  
**[TO BE UPDATED]**

## APPENDIX D

### SUMMARY OF THE INDENTURE

This Appendix contains a summary of certain provisions of the Indenture of Trust, dated as of January 1, 1998 (the "Master Indenture"), by and between the Housing Finance Authority of Pinellas County, Florida (the "Issuer") and U.S. Bank National Association formerly known as U.S. Bank Trust National Association (successor to SouthTrust Bank, National Association), as Trustee (the "Trustee") and the 2006A Supplemental Indenture of Trust (together with the "Master Indenture" herein referred to as the "2006A Series Indenture"). This summary is not to be considered a full statement of the terms of the document and accordingly is qualified by the reference to such document or the 2006A Series Official Statement (hereinafter referred to as "Official Statement") including APPENDIX "A" thereto, "DEFINITIONS OF CERTAIN TERMS."

The Master Indenture contains various covenants and security provisions, certain of which are summarized in the Official Statement. See also the information provided under the captions "THE 2006A BONDS," "SECURITY FOR THE 2006A BONDS" and "FLOW OF FUNDS." Certain of the remaining provisions are summarized below.

#### **Funds and Accounts**

In addition to the descriptions noted above, the following Funds and Accounts are created by the Master Indenture:

Debt Service Reserve Fund. No moneys will be deposited into the Debt Service Reserve Fund in connection with the issuance of the 2006A Bonds. Reference is made to the Master Indenture for a description of the provisions relating to the Debt Service Reserve Fund.

Mortgage Reserve Fund. No moneys will be deposited into the Mortgage Reserve Fund in connection with the issuance of the 2006A Bonds. Reference is made to the Master Indenture for a description of the provisions relating to the Mortgage Reserve Fund.

Subordinated Debt Service Fund. \$\_\_\_\_\_ will be deposited into the Subordinated Debt Service Fund in connection with the issuance of the 2006A Bonds. Reference is made to the Master Indenture for a description of the provisions relating to the Subordinated Debt Service Fund.

Rebate Fund. Amounts deposited and held in the Rebate Fund will not be subject to the pledge of the Master Indenture. A 2006A Rebate Account will be established for the 2006A Bonds.

Investment and Deposit of Funds. The Issuer and each Fiduciary will keep all money held by it, as continuously as reasonably possible, invested and reinvested in Permitted Investments toward the objective that the maturity date or date of redemption at the option of the holder thereof will occur at the times and in the amounts specified below or as otherwise provided in any Series Supplement for the Fund or Account to which it pertains:

(a) for the Acquisition Account, at the times and in the amounts necessary to provide funds for the purchase of Mortgage Loans and/or Guaranteed Mortgage Securities and for the other purposes described in the Master Indenture pursuant to a Series Supplement or an Officer's Certificate;

(b) for the Revenue Fund, at the times and in the amounts necessary to provide funds for the disbursements therefrom pursuant to a Series Supplement or an Officer's Certificate;

(c) for the Debt Service Fund and the Subordinated Debt Service Fund, at the times and in the amounts necessary to provide funds for payment when due of interest and Principal Installments on the Bonds pursuant to a Series Supplement or an Officer's Certificate;

(d) for the Redemption Fund, at the times and in the amounts necessary to provide funds for the purposes described in the Master Indenture pursuant to a Series Supplement or an Officer's Certificate;

(e) for the Debt Service Reserve Fund, at the times and in the amounts necessary to provide funds for the disbursements therefrom pursuant to a Series Supplement or an Officer's Certificate, provided that such Permitted Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the final scheduled maturity date of any Bonds Outstanding at the date of calculation;

(f) for the Mortgage Reserve Fund, at the times and in the amounts necessary to provide funds for the purposes described in a Series Supplement or an Officer's Certificate;

(g) for the Rebate Fund, at the times and in the amounts necessary to provide funds for disbursements therefrom pursuant to a Series Supplement or Officer's Certificate;

(h) for the Administration Fund, at the times and in the amounts necessary to provide funds for the purposes described under "FLOW OF FUNDS -General Funds and Accounts - Administration Fund" in the Official Statement pursuant to the Series Supplement or an Officer's Certificate;

(i) for the Accumulation Fund, at the times and in the amounts necessary to provide funds for the purposes described under "FLOW OF FUNDS - General Funds and Accounts - Accumulation Fund" pursuant to a Series Supplement or an Officer's Certificate; and

(j) for the Capitalized Interest Accounts, the Cost of Issuance Accounts and the Cost of Remarketing Accounts, at the times and in the manner specified in a Series Supplement or an Officer's Certificate.

A Fiduciary will invest money in the Funds and Accounts created under the Master Indenture in one or more Permitted Investments as may be specified in a Series Supplement or an Officer's Certificate. In the absence of direction from the Issuer in the form of an Officer's Certificate, moneys in any Fund or Account will be continuously invested and reinvested or deposited and redeposited by the Fiduciaries in Permitted Investments consistent with the liquidity requirement set forth in the Master Indenture and other requirements of the Master Indenture.

Moneys in any Fund or Account created and established by, or maintained pursuant to, the Master Indenture and held by a Fiduciary may be invested in common with moneys held in any other such Fund or Account; provided, however, that the common investments with such other moneys constitute Permitted Investments; and provided, further, such instruments are held by the same Fiduciary acting in the same capacity.

Obligations purchased as an investment of moneys in any Fund or Account held by a Fiduciary will be deemed at all times to be a part of such Fund or Account and the income or interest earned by, or increment to, any such Fund or Account due to the investment and reinvestment thereof will be retained in such Fund or Account as part thereof, except as otherwise provided in the Master Indenture and subject to the required transfer thereof from such Fund or Account pursuant to the Master Indenture or the applicable Series Supplement. A Fiduciary will sell at the best price 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; provided, however, that in lieu of liquidating any such investment obligations and transferring the proceeds thereof, a Fiduciary may transfer investment obligations which will mature and the proceeds of which will be available on or before the date such proceeds are required for the purposes of the Master Indenture. Each Fiduciary will advise the Issuer in writing, on or before the 15th day of each calendar month, of the details of all investments held for the credit of each Account in its custody under the provisions of the Master Indenture as of the end of the preceding month.

Unless otherwise provided in a Series Supplement, in computing the amount in any Fund or Account held by a Fiduciary or the Issuer under the provisions of the Master Indenture, obligations purchased as an investment of moneys therein will be valued at the lesser of the market price thereof or the Amortized Cost thereof, plus accrued interest. For the purposes hereof, "Amortized Cost," when used with respect to obligations purchased at par, will mean the par value thereof, and when used with respect to obligations purchased at a premium above or at a discount below par, will mean the value as of any given date obtained by dividing the total amount of the premium or discount at which such obligations were purchased by the number of interest payments remaining to maturity (or total number of days remaining to maturity, in the case of obligations with a term of less than one year) on such obligations after such purchase and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of such purchase (or, if interest thereon shall not be payable prior to maturity, the number of six month periods having passed since the date of such purchase), or in the case of obligations of less than one year the number of days having passed since the day of such purchase and (a) in the case of obligations purchased at a premium, deducting the product thus obtained from the purchase price or (b) in the case of obligations purchased at a discount, adding the product thus obtained to the purchase price.

No Fiduciary shall be liable or responsible for making any investment authorized by the provisions of the Master Indenture or directed to be made in the manner authorized by the provisions of the Master Indenture, in the manner provided in the Master Indenture, or for any loss resulting from any such investment so made or directed to be made in the manner authorized by the provisions of the Master Indenture, except for its own negligence.

## **Annual Audit and Report**

The Issuer shall annually, within 120 days after the close of each Fiscal Year, file with the Trustee and the Rating Agency a copy of an annual report as to the operations and accomplishments of the Issuer during such Fiscal Year and financial statements for such Fiscal Year, accompanied by a Certificate of an Accountant stating that the financial statements examined present fairly the financial position of the Issuer at the end of the Fiscal Year and the results of its operations and cash form for the period examined, in conformity with generally accepted accounting principles.

## **Program Covenants**

In the Master Indenture, the Issuer has covenanted and agreed to the following:

(a) The Issuer covenants that no Mortgage Loan and no Program Related Loan shall be financed by the Issuer under the Program unless the Mortgage Loan or the Program Related Loan complies in all respects with all rules and regulations of the Issuer applicable or in effect on the date of financing, and the Issuer shall have received all representations and warranties of the Lender which the Issuer and the Trustee may require.

(b) The Issuer covenants that each Mortgage Loan or Program Related Loan shall be a self-amortizing obligation which, to the extent set forth in the applicable Series Supplement, will bear interest at a fixed or variable rate of interest and have level or variable debt service over its life.

(c) The Issuer covenants that Mortgage Loans or Program Related Loans financed by a Series of Bonds shall be consistent with the requirements of the applicable Series Supplement.

(d) The Issuer may sell any or all of the Mortgage Loans or Guaranteed Mortgage Securities held under the Indenture to realize the benefits of mortgage insurance or guaranty or to replace or dispose of defective or defaulted Mortgage Loans.

(e) The Issuer shall do all such acts and things as shall be reasonably necessary to receive and collect Pledged Receipts (including diligent enforcement of the prompt collection of all arrearages on Mortgage Loans), sufficient to pay the principal of and interest on the Bonds and Program Expenses.

(f) The Issuer shall diligently enforce, and require the Servicer to take all steps, actions and proceedings reasonably necessary to protect its rights with respect to or to maintain any insurance on Mortgage Loans and to enforce all terms, covenants and conditions of Mortgage Loans including the collection, custody and prompt application of all escrow payments required by the terms of the Mortgage Loan for the purposes for which they were made.

(g) The Issuer shall not direct or permit the Servicer to unreasonably delay in the prosecution and collection of any claim for any insurance on Mortgage Loans to which it shall be entitled or permit any such unreasonable delay under its control nor fail to elect to sell or assign any Mortgage Loan whenever it shall be necessary to do so to obtain the benefits of such Mortgage Loan insurance.

(h) Whenever necessary in order to protect and enforce the interests and security of the Holders of the Bonds, the Issuer shall cause the Servicer to commence foreclosure or pursue other appropriate remedies with respect to any Mortgage Loan which is in default (in which event, the Servicer or the Trustee if there is no Servicer shall bid for and purchase the premises covered by any Mortgage Loan at any foreclosure sale thereof and otherwise take possession of or acquire such property unless the Issuer shall, in its discretion, determine such action not to be in the best interests of the Holders of the Bonds).

(i) The Issuer shall cause the Trustee to take all steps necessary to implement FDIC's most current regulations regarding deposit insurance on custodial servicing accounts maintained at FDIC-insured banks and thrifts, including, if necessary, directing all the Servicers to immediately remit to the Trustee all collections on the Mortgage Loans (except Mortgage Loans backing Guaranteed Mortgage Securities).

(j) The Issuer shall enforce any provisions of any Mortgage Loan Servicing Agreements which may have the effect of permitting the payment of Servicing Fees only with respect to loans which are current as to interest and/or escrow payments.

Except with respect to the covenants and agreements described above in clauses (a), (c), (d), (e), (f) and (h), such covenants and agreements shall not be applicable to Mortgage Loans underlying Guaranteed Mortgage Securities.

### **Personnel and Servicing of Program**

In the Master Indenture, the Issuer has covenanted and agreed to the following:

(a) The Issuer shall at all times appoint, retain and employ personnel for the purpose of carrying out its Programs under the Act.

(b) The Issuer may pay to any State agency, municipality, political subdivision, governmental instrumentality of the State, individual or private business entity such amounts as are necessary to reimburse such State agency, municipality, political subdivision, governmental instrumentality of the State, individual or private business entity for the reasonable costs of any services performed for the Issuer with respect to the Issuer's Programs.

(c) Each Depository which has entered into a Mortgage Loan Servicing Agreement (or has entered into a written Depository agreement with a Servicer or the Trustee), may, from time to time, hold amounts which are not fully insured by the FDIC, or its successors provided that:

(i) any Pledged Receipts held by such Depository shall be set aside and held in trust for the Trustee on behalf of the Holders of the Bonds;

(ii) all such amounts shall be invested or deposited in accordance with Article VI and as may be directed by the Issuer or, failing such direction, as such Depository may determine;

(iii) any amounts held by such Depository shall be transmitted to the Trustee upon receipt or as soon as practicable thereafter; and

(iv) such Depository shall regularly deliver an accounting to the Issuer and the Trustee of the amount held by it hereunder and the deposits and investments thereof.

(d) The Issuer shall use reasonable efforts to cause the Servicers and Lenders to duly and properly originate and/or service all Mortgage Loans and enforce the payment and collection of all payments of principal and interest and all escrow payments or to cause such servicing and enforcement to be done by a Servicer evidencing, in the judgment of the Issuer, the capability and experience necessary to adequately service the Mortgage Loans. Any servicing agreement entered into after the date of the Indenture shall provide that:

(i) all amounts received by such Servicer, except as compensation for its services shall be deposited promptly with a Depository (which may be such Servicer) subject to and in accordance with the provisions of the Indenture;

(ii) such Servicer shall at all times remain qualified to act as such pursuant to such standards as the Issuer shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(iii) such Servicer shall agree to maintain servicing facilities that are staffed with trained personnel to adequately service Mortgage Loans in accordance with standards normally employed by private institutional mortgage investors, as determined in the Issuer's sole discretion, and shall maintain individual files for each Mortgage Loan serviced pursuant to the servicing agreement and provide regular reports to the Issuer and the Trustee as to collections and delinquencies with respect to all Mortgage Loans serviced by such Servicer.

## **Tax Covenants**

The tax covenants contained in the Master Indenture apply only to such Series of Bonds as to which an opinion of Bond Counsel was delivered which determined that the interest thereon shall be excludable from gross income for federal income tax purposes.

The Issuer will at all times perform all acts and things permitted by law and necessary and desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under any valid provision of law.

The Issuer covenants and agrees in the Master Indenture that it will not make or permit any use of the proceeds of the Bonds which, if such use had been reasonably expected on the day of the issuance of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of the Code and further covenants that it will observe and not violate the requirements of the Code.

The Issuer further covenants and agrees with regard to compliance with the Code, as follows:

(a) The Issuer will take all reasonable steps to see that all of the requirements of the Code are met, and, in the case of requirements which relate to the eligibility of the Mortgage Loans for tax exempt financing specified in the Code, will take all reasonable steps to meet and require the Lenders to take all reasonable steps to meet such requirements before the Mortgage Loans are executed, and will establish reasonable procedures to ensure compliance with such requirements.

(b) The Issuer or its agent will conduct, or require the Lenders to conduct, a reasonable investigation to determine whether the requirements which relate to the eligibility of the Mortgage Loans for tax exempt financing have been satisfied and will correct, or require the Lenders to correct, any failure to meet such requirements within a reasonable time after the failure is discovered by the Issuer or its agent or the applicable Lender.

(c) The Issuer will assure that the Treasury of the United States of America is provided with the rebate to the extent required by the Code.

### **The Trustee**

The Trustee may at any time resign and be discharged from the duties and obligations created by the Master Indenture by giving not less than 60 days written notice to the Issuer and mailing notice thereof by first class mail, postage prepaid, at the Trustee's expenses to the Holders of all Outstanding Bonds, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified unless previously a successor shall have been appointed in which event such resignation shall take effect immediately on the appointment of such successor. In no event, however, shall such a resignation take effect until a successor Trustee has been appointed.

The Trustee shall be removed and replaced by the Issuer if at any time so requested by an instrument or concurrent instruments in writing filed with the Trustee and the Issuer, and signed by the holders of a majority in Principal Amount of the Senior Bonds Outstanding or by their attorney in fact authorized, excluding any Senior Bonds held by or for the account of the Issuer. The Issuer may remove and replace the Trustee at any time, except during the existence of an Event of Default under the Master Indenture, with or without cause and the opinion of the Issuer that such removal and replacement of the Trustee is not detrimental to the Bondholders, by filing with the Trustee an instrument signed by an Authorized Officer. Such instrument shall provide for an effective date not less than 30 days after the date of delivery to the Trustee.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer covenants and agrees that it will thereupon appoint a successor Trustee. The Issuer shall mail notice of any such appointment made by it to all Bondholders within 20 days after such appointment.

If in a proper case no appointment of a successor Trustee shall have been made within 45 days after the Trustee shall have given the Issuer its notice of resignation, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Senior Bond may apply to any court of competent jurisdiction to appoint a successor Trustee.

Any successor Trustee appointed under the Master Indenture shall be a trust company, bank or national banking association having the powers of a trust company within or outside the State, having a capital, surplus and undivided profits aggregating at least \$50,000,000 if there be such a trust company, bank or banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all of the duties imposed upon it by the Master Indenture.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Master Indenture at the request or direction of any of the Bondholders, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Trustee shall not be liable in connection with the performance of its duties under the Master Indenture except for its own negligence or willful misconduct.

### **Events of Default and Remedies**

Events of Default. Each of the following events is an "Event of Default" under the Master Indenture:

- (a) the Issuer shall fail to make payment of the principal or Redemption Price of, or Sinking Fund Installment on, any Senior Bond after the same shall become due, whether at maturity or upon call for redemption, or otherwise; or
- (b) the Issuer shall fail to make payment of interest on any Senior Bond when and as the same shall become due; or
- (c) the Issuer shall fail to make payment of the purchase price of any Tender Bond within three (3) days after the same shall become due; or
- (d) the Issuer shall fail or refuse to comply with the provisions of the Act or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Master Indenture, any Series Supplement or in the Bonds contained, and such default shall continue for a period of 90 days after written notice thereof by the Trustee or the Holders of not less than 20% in Principal Amount of the Outstanding Bonds: provided, that failure to make payment of the principal of or interest on any Subordinated Bond when due if the amount then available for such purpose in the Subordinated Debt Service Fund is not sufficient shall not constitute an Event of Default.

Remedies. Upon the happening and continuance of any Event of Default specified above, then, and in each such case, the Trustee may proceed, and upon the written request of the

Holders of not less than 25% in Principal Amount of the Outstanding Senior Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights:

(a) by suit, action or proceeding, enforce all rights of the Bondholders, including the right to require the Issuer to receive and collect Pledged Receipts and Prepayments adequate to carry out the covenants and agreements as to, and pledge of, such Pledged Receipts and Prepayments, and to require the Issuer to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Senior Bonds;

(c) by action or suit, require the Issuer to account as if the Issuer were by bringing suit upon the Senior Bonds;

(d) declare all Senior Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than 25% in Principal Amount of the Outstanding Senior Bonds, to annul such declaration and its consequences; provided, however, that the Senior Bonds may not be accelerated as a result of an Event of Default described in paragraph (d) above without the approval of sixty-six and two-thirds percent (66 2/3%) of the holders of the Senior Bonds affected thereby if there are sufficient moneys on deposit to pay all amounts due on all Senior Bonds and hereunder with respect to such Senior Bonds on the date set for payment; and, provided, further, that if there are not sufficient moneys as aforesaid, then the Senior Bonds may not be accelerated as a result of an Event described in paragraph (d) above without the approval of one hundred percent (100%) of the holders of the Senior Bonds.

In the enforcement of any remedy under the Master Indenture, the Trustee will be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Issuer for principal, Redemption Price, interest or otherwise, under any provision of the Master Indenture or of the Senior Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

The Trustee will be entitled to enforce, by action or suit or otherwise, any and all covenants and provisions herein for the benefit of the Senior Bonds and the Subordinated Bonds.

Priority of Payments after Default. In the event that the funds held by the Trustee and Paying Agents for the payment of interest and principal or Redemption Price shall be insufficient for the payment of interest and principal or Redemption Price then due on the Senior Bonds, such funds (other than funds held for the payment or redemption of particular Senior Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys

received or collected by the Trustee acting pursuant to the Act and the Master Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Senior Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Master Indenture, shall be applied as follows:

(a) Unless the principal of all the Senior Bonds shall have become or have been declared due and payable,

First, to the payment to the persons entitled thereto of all installments of interest then due on the Senior Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Second, to the payment to the persons entitled thereto of the unpaid Principal Amounts or Redemption Price of any Senior Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Senior Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Amounts or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

Third, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinated Bonds in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Fourth, to the payment to the persons entitled thereto of the unpaid Principal Amounts or Redemption Price of any Subordinated Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Subordinated Bonds due on any date, then to the payment thereof ratably, according to the amounts of Principal Amounts or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Senior Bonds shall have become or have been declared due and payable, first, to the payment of the principal and interest then due and unpaid upon the Senior Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Bonds and, second, to the payment of the Subordinated Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinated Bond over any other Subordinated Bond, ratably,

according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination nor preference except as to any difference in the respective rates of interest specified in the Subordinated Bonds.

(c) If the amounts described in (a) and (b) above and the amounts due to be paid from the Administration Fund, except for amounts described in Section 5.11(d)(D), have been paid or provision made therefor, then to the principal and interest due and unpaid upon any Convertible Option Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Convertible Option Bond over any other Convertible Option Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Convertible Option Bonds.

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

Bondholders' Direction of Proceedings. Anything in the Master Indenture to the contrary notwithstanding, the Holders of a majority in Principal Amount of the Senior Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings of any kind whatsoever, whether at law or in equity, to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Master Indenture and that the Trustee will have the right to decline to follow any direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitations on Rights of Bondholders. No holder of any Bond will have any right to institute any suit, action or other proceeding under the Master Indenture, or for the protection or enforcement of any right under the Master Indenture or any right under law, unless such Holder shall have given to the Trustee written notice addressed to its principal corporate trust office of the Event of Default or breach of duty on account of which suit, action or proceeding is to be

taken, and unless the Holders of not less than 25% in Principal Amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers under the Master Indenture or for any other remedy hereunder or under law. It is understood and intended in the Master Indenture that no one or more Holders of the Bonds secured by the Master Indenture will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right thereunder or under law with respect to the Bonds of the Master Indenture, except in the manner therein provided, and that all proceedings will be instituted, had and maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions, the obligation of the Issuer will be absolute and unconditional to pay the principal and Redemption Price of and interest on the Senior Bonds, but solely from Pledged Property and Pledged Receipts, to the respective Holders thereof at the respective due dates thereof, and nothing in the Master Indenture will affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary contained in the Master Indenture notwithstanding, each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Master Indenture or any Series Supplement or any related instrument, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing of any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such litigant; but the provisions described in this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholders, or group of Bondholders, holding at least 25% in Principal Amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective date thereof expressed in such Bond.

### **Defeasance**

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all of the Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture, then and in that event the covenants, agreements and other obligations of the Issuer to the Bondholders will be discharged and satisfied. In such event the Trustee shall, upon request of the Issuer, execute and deliver to the Issuer all such instruments as may be desirable to evidence such release and discharge and the Trustee and the Paying Agents shall pay over or deliver to the Issuer all moneys or securities held by them pursuant to the Master Indenture

which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption and not required pursuant to the Master Indenture.

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds then Outstanding of a particular Series, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture, then and in that event such Bonds shall cease to be entitled to any lien, benefit or security under the Master Indenture and the applicable Series Supplement and the covenants, agreements and other obligations of the Issuer to the Holders of such Bonds will be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall then be held by the Trustee or the Paying Agents (through deposit by the Issuer of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, will be deemed to have been paid within the meaning and with the effect described in the second preceding paragraph. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect described in the second preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to give notice of redemption as provided in the Master Indenture on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or noncallable Government Obligations the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, of such Bonds and interest due and to become due on such Bonds on and prior to the Principal Payment Date or Dates or redemption date or dates thereof, as the case may be (as demonstrated in a verification report of a firm of certified public accountants), (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail, as soon as practicable, to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid as described in the second preceding paragraph and stating such Principal Payment Date or Dates or redemption date or dates upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds, and (d) the Issuer shall have delivered to the Trustee an opinion of Bond Counsel to the effect that the defeasance provisions of the Master Indenture have been satisfied and that, in the case of Bonds other than Taxable Bonds, such defeasance does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Trustee shall notify the Rating Agency of any defeasance. Neither Government Obligations nor moneys deposited with the Trustee pursuant to the Master Indenture nor principal or interest payments on any such Government Obligations will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in principal amounts sufficient to pay when due the principal

or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Principal Payment Date or Dates or redemption date or dates thereof, as the case may be.

Notwithstanding any other provision hereof, the entire portfolio of GNMA Certificates, Fannie Mae Securities or Freddie Mac Securities, held by the Trustee in its capacity as trustee hereunder, for the applicable Series of Bonds may be sold by the Trustee, at the direction of the Issuer at any time in its discretion if the proceeds of such sale, together with other funds available under the Indenture, are sufficient to pay or cause to be paid at redemption the principal of, premium, if any, and unpaid accrued interest to the redemption date on all the Bonds of the applicable Series, any related brokerage charges and any unpaid Trustee Fees, Issuer's Fees and Rebate Amount. The Trustee shall deposit the moneys derived from such sale into (a) the applicable Principal Account to be applied only for the optional redemption of the respective Series of Bonds on the earliest such redemption date for which notice can be given; (b) to the applicable Account of the Rebate Fund to pay the applicable Rebate Account; (c) the Applicable Account of the Program Expense Fund to pay the outstanding and unpaid Trustee Fees and Issuer's Fees; and (d) the balance, if any, shall be remitted to the Issuer to be used for any lawful purpose permitted under the Act. Notwithstanding the foregoing, the Trustee shall not sell the GNMA Certificates, Fannie Mae Securities or Freddie Mac Securities, held by the Trustee in its capacity as trustee hereunder, at a price of less than par plus accrued interest unless such purchase price is verified by an independent certified public accountant to be sufficient to pay the redemption price of all Bonds of the applicable Series Outstanding in accordance with the 2005A Series Indenture, any related expenses of such redemption, brokerage charges and any outstanding and unpaid Trustee Fees, Issuer's Fees and expenses and Rebate Amount.

Anything in the Master Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged.

### **Amendments of Master Indenture**

Any modification or amendment of the Master Indenture and of the rights and obligations of the Issuer and of the Holders of the Bonds in any particular may be made by a Supplemental Master Indenture with, except as provided in the Master Indenture, the written consent given as hereinafter described of (a) the Holders of at least a majority in Principal Amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least a majority in Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if any such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding the consent of the Holders of the Bonds of such Series and maturity shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of the Principal Amount of Outstanding Bonds under the Master Indenture. No such

modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond or adversely affect the tender rights of the Holders of Tender Bonds, or shall reduce the percentages of Bonds the consent of the Holders of which is required to effect any such modification or amendment without the consent of all Bondholders so affected. For the purposes of the Master Indenture, a Series shall be deemed to be affected by a modification or amendment of the Master Indenture if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Master Indenture and any such determination shall be binding and conclusive on the Issuer and all Holders of Bonds. The Trustee may receive (a) a Counsel's Opinion as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Master Indenture and (b) an opinion of Bond Counsel to the effect that such modification or amendment will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Issuer may at any time execute a Supplemental Master Indenture making a modification or amendment permitted by the provisions described in the preceding paragraph to take effect when and as described in this paragraph. A copy of such Supplemental Master Indenture (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee by the Issuer to Bondholders, shall be mailed by the Trustee by first class mail, postage prepaid, to the Holders of all Outstanding Bonds. Such Supplemental Master Indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of Holders of the percentages of the Principal Amount of Outstanding Bonds specified in the preceding paragraph and (ii) a Counsel's Opinion stating that such Supplemental Master Indenture has been duly and lawfully executed by the Issuer in accordance with the provisions of the Master Indenture, is authorized or permitted by the Master Indenture, and is valid and binding upon the Issuer and enforceable in accordance with its terms, and (b) a notice shall have been given as hereinafter described. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Master Indenture. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Master Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in the Master Indenture to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee prior to the time when the written statement of the Trustee hereinafter described is filed, such revocation. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Master Indenture, the Trustee shall make and file with the Issuer a written statement that the Holders of such required percentages of Bonds shall have filed their consents to the Supplemental Master Indenture. Such written statement shall be conclusive that such

consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Master Indenture (which may be referred to as a Supplemental Master Indenture executed by the Issuer on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as described in this paragraph, may be given to Bondholders by the Trustee by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Master Indenture from becoming effective and binding as described in this paragraph) not more than 90 days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Master Indenture and the written statement of the Trustee hereinabove provided for is filed. A transcript, consisting of the documents required or permitted by this paragraph to be filed with the Trustee, shall be proof of the matters therein stated.

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**APPENDIX F**

**FORM OF APPROVING OPINION OF BOND COUNSEL**