

In the opinion of Bond Counsel, under existing statutes and regulations, as presently construed, and assuming continuing compliance by the Authority with certain covenants of the Indenture, interest on the 2006 Bonds is excluded from gross income for federal income tax purposes. Interest on the 2006 Series A Bonds and the 2006 Series B Bonds is an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2006 Series C Bonds is not an item of tax preference within the meaning of Section 57 of the Code for purposes of the federal individual and corporate alternative minimum taxes; however, it should be noted with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. For information regarding continuing requirements as to such tax exemption and other tax consequences to the owners of the 2006 Bonds, see “TAX EXEMPTION” herein. The 2006 Bonds are exempt from taxation within the Commonwealth of Pennsylvania except for gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2006 Bonds, the transfer thereof, the income therefrom or the realization of profits on the sale thereof.

**\$29,905,000**

**URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH**

**Mortgage Revenue Bonds**

**\$9,000,000 2006 Series A (AMT)**

**\$5,335,000 2006 Series B (AMT)**

**\$15,570,000 2006 Series C (NON-AMT)**

Dated: April 12, 2006

CUSIP Service Bureau Prefix: 725299

Due: As shown on the inside cover hereof

Principal Amounts and Interest Rates: As shown on the inside cover hereof

The 2006 Bonds (consisting of three series of Bonds described in the heading, and as hereinafter further defined) are issuable only as fully registered bonds registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York that will act as securities depository for the 2006 Bonds. Purchasers will not receive certificates representing their ownership interest in the 2006 Bonds purchased. So long as Cede & Co. is the registered owner, or nominee of DTC, references herein to “Owners” or “registered owners” shall mean Cede & Co., as aforesaid and shall not mean the Beneficial Owners of the 2006 Bonds. Beneficial ownership of the 2006 Bonds may be acquired in denominations of \$5,000 and any integral multiple thereof.

Principal and interest on the 2006 Bonds will be paid by J.P. Morgan Trust Company, National Association, Pittsburgh, Pennsylvania, as trustee (the “Trustee”). So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owner is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. Interest will be payable semiannually on each April 1 and October 1 commencing October 1, 2006, to the registered owners of the 2006 Bonds as of the close of business on the fifteenth day of the month preceding the relevant Interest Payment Date.

The 2006 Bonds are subject to redemption prior to maturity as described herein. See “THE 2006 BONDS”.

**THE 2006 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY MONIES AND REVENUES PLEDGED UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE 2006 BONDS ARE NOT DEBT OR AN OBLIGATION OF THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING THE CITY OF PITTSBURGH. THE 2006 BONDS ARE NOT DEBT OR AN OBLIGATION OF THE UNITED STATES OF AMERICA, GNMA, FANNIE MAE, FREDDIE MAC OR ANY AGENCY THEREOF. SEE “SECURITY FOR THE 2006 BONDS.”**

The 2006 Bonds are offered, when, as and if issued and received by the Underwriter, subject to prior sale or modification of the offer without notice, and to approval as to the authorization, issuance and delivery of the 2006 Bonds by Eckert Seamans Cherin & Mellott, LLC of Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be reviewed for the Authority by its general counsel, Donald A. Kortlandt, Esquire. Certain legal matters will be passed upon for the Underwriter by its counsel, R. Darryl Ponton & Associates, Pittsburgh, Pennsylvania. It is expected that the 2006 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about April 12, 2006.

**Mellon Financial Markets, LLC**

**The Date of this Official Statement is March 29, 2006.**

MATURITY SCHEDULE

\$9,000,000  
2006 Series A Bonds (AMT)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
April 1, 2008	\$170,000	3.80%	100%
April 1, 2009	140,000	3.90	100%
April 1, 2010	150,000	4.00	100%
April 1, 2011	155,000	4.10	100%
April 1, 2012	165,000	4.25	100%
April 1, 2013	170,000	4.35	100%
April 1, 2014	185,000	4.45	100%
April 1, 2015	190,000	4.50	100%
April 1, 2016	200,000	4.55	100%
April 1, 2017	210,000	4.65	100%
April 1, 2018	225,000	4.70	100%
April 1, 2019	235,000	4.75	100%
April 1, 2020	245,000	4.80	100%
April 1, 2021	260,000	4.85	100%
October, 1, 2021	135,000	4.85	100%

\$1,560,000 Term Bond Due October 1, 2026 at 100%.

\$4,605,000 Term Bond Due October 1, 2036 at 100%.

\$5,335,000  
2006 Series B Bonds (AMT)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
October 1, 2006	\$400,000	3.50%	100%
April 1, 2007	360,000	3.70	100%
October 1, 2007	370,000	3.75	100%
April 1, 2008	380,000	3.80	100%
October 1, 2008	395,000	3.85	100%
April 1, 2009	415,000	3.90	100%
October 1, 2009	425,000	3.95	100%
April 1, 2010	445,000	4.00	100%
October 1, 2010	460,000	4.05	100%
April 1, 2011	475,000	4.10	100%
October 1, 2011	215,000	4.10	100%
April 1, 2017	500,000	4.65	100%
October 1, 2017	495,000	4.65	100%

\$15,570,000  
2006 Series C Bonds (NON-AMT)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
October 1, 2011	\$280,000	3.75%	100%
April 1, 2012	500,000	3.90	100%
October 1, 2012	520,000	3.95	100%
April 1, 2013	520,000	4.00	100%
October 1, 2013	530,000	4.00	100%
April 1, 2014	550,000	4.05	100%
October 1, 2014	565,000	4.05	100%
April 1, 2015	570,000	4.15	100%
October 1, 2015	580,000	4.15	100%
April 1, 2016	580,000	4.20	100%
October 1, 2016	585,000	4.20	100%
April 1, 2017	100,000	4.25	100%
October 1, 2017	115,000	4.25	100%
April 1, 2018	575,000	4.40	100%
October 1, 2018	560,000	4.40	100%
April 1, 2019	510,000	4.50	100%
October 1, 2019	490,000	4.50	100%
April 1, 2020	480,000	4.55	100%
October 1, 2020	480,000	4.55	100%
April 1, 2021	485,000	4.60	100%
October 1, 2021	495,000	4.60	100%

\$5,500,000 Term Bond Due April 1, 2028 at 100%.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

No dealer, salesman, or any other person has been authorized by the Authority or the Underwriter (defined herein) to give any information or to make any representation other than those contained herein in connection with the offering of the 2006 Bonds, and, if given or made, such other information or representation 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 a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The Underwriter has 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 Underwriter does not guarantee the accuracy or completeness of such information. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized. The information contained herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the parties referred to above since the date hereof or the earlier date set forth herein as of which certain information contained herein is given.

This Official Statement and the information contained herein are subject to completion or amendment. The 2006 Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Official Statement constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy nor will there be any sale of the 2006 Bonds in any such jurisdiction in which said offer or sale would not be lawful prior to registration or qualification under the securities laws of any such jurisdiction. The following Official Statement, as of its date, has been deemed final by the Authority for the purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

**THE 2006 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE 2006 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE 2006 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE 2006 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

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

**TABLE OF CONTENTS**

INTRODUCTION .....	1
THE AUTHORITY .....	2
THE 2006 BONDS .....	4
SECURITY FOR THE 2006 BONDS .....	12
THE PROGRAM .....	17
PROGRAM STRUCTURE ASSUMPTIONS AND RISKS .....	32
OTHER PROGRAMS OF THE AUTHORITY .....	34
TAX EXEMPTION .....	36
FINANCIAL STATEMENTS OF THE AUTHORITY RELATING TO THE PROGRAM .....	37
LITIGATION .....	37
APPROVAL OF LEGALITY .....	37
CONTINUING DISCLOSURE .....	37
UNDERWRITING .....	37
INVESTMENT AGREEMENTS .....	38
CASH FLOW CONSULTANT .....	38
FINANCIAL ADVISOR .....	38
RATINGS .....	38
MISCELLANEOUS .....	38

APPENDIX A	FINANCIAL STATEMENTS OF THE AUTHORITY RELATING TO THE PROGRAM
APPENDIX B	SUMMARY OF THE INDENTURE
APPENDIX C	FORM OF OPINION OF BOND COUNSEL
APPENDIX D	SUMMARY OF INSURANCE PROGRAMS AND FREDDIE MAC, FANNIE MAE AND GNMA GUARANTY PROGRAMS
APPENDIX E	FORM OF CONTINUING DISCLOSURE CERTIFICATE

OFFICIAL STATEMENT

**\$29,905,000**

**URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH  
MORTGAGE REVENUE BONDS**

**\$9,000,000**

**2006 Series A (AMT)**

**\$5,335,000**

**2006 Series B (AMT)**

**\$15,570,000**

**2006 Series C (NON-AMT)**

**INTRODUCTION**

The purpose of this Official Statement is to set forth information concerning the Urban Redevelopment Authority of Pittsburgh (the "Authority"), a public body and a body corporate and politic of the Commonwealth of Pennsylvania (the "Commonwealth"), created under the Urban Redevelopment Law (35 P.S. §1701 et seq.) (the "Act"), and its Mortgage Revenue Bonds, 2006 Series A (AMT) (the "2006 Series A Bonds"), 2006 Series B (AMT) (the "2006 Series B Bonds") and 2006 Series C (NON-AMT) (the "2006 Series C Bonds" and collectively, the "2006 Bonds"). Each such series of the 2006 Bonds is to be issued in the respective principal amounts set forth in the heading. The Bonds will be issued pursuant to the Act and the Indenture of Trust by and between the Authority and J.P. Morgan Trust Company, National Association (successor by merger to Chase Manhattan Trust Company, National Association, successor trustee to PNC Bank, National Association) as Trustee, dated as of October 1, 1979, as amended and supplemented (the "Indenture"). The 2006 Bonds, all bonds and notes issued and outstanding under the Indenture and any additional bonds or notes issued pursuant to the Indenture, are issued on a parity, are equally and ratably secured and are herein collectively called the "Bonds". See "THE PROGRAM" herein.

The Indenture authorizes the issuance of Bonds to provide funds to the Authority to (1) purchase or finance mortgage loans secured by (a) first mortgage liens (subject to certain permitted encumbrances) on housing containing four or fewer dwelling units throughout the City, (b) Freddie Mac PCs (as hereinafter defined), (c) Fannie Mae Securities (as hereinafter defined) and/or (d) GNMA Securities (as hereinafter defined), (2) provide funds to make deposits in certain funds and accounts created under the Indenture, (3) refund certain outstanding Bonds and (4) pay the costs of issuing the 2006 Bonds. All mortgage loans purchased or financed must either provide permanent financing for the ownership of single family housing ("Single Family Mortgage Loans") or provide a qualified rehabilitation loan ("Qualified Rehabilitation Loan" and, together with Single Family Mortgage Loans, the "First Mortgage Loans") to qualified persons for single family residential housing located in the City of Pittsburgh, Pennsylvania (the "City"). Single Family Mortgage Loans are made pursuant to the Authority's Pittsburgh Home Ownership Program (PHOP) and Qualified Rehabilitation Loans are made pursuant to the Authority's Pittsburgh Housing Recovery Program (HRP). See "THE PROGRAM – Program Eligibility Guidelines" herein.

The Authority issues obligations under the Indenture to provide funds for the Authority's Single Family Mortgage Revenue Bond Program (the "Program") through which the following types of loans are financed: (1) Single Family Mortgage Loans insured by FHA, (2) Single Family Mortgage Loans insured by insurance other than FHA insurance, including private mortgage insurance, (3) Single Family Mortgage Loans and Qualified Rehabilitation Loans secured by

Repurchase Agreements (as hereinafter defined). The Authority may make or purchase such Single Family Mortgage Loans and Qualified Rehabilitation Loans directly (hereinafter referred to as "whole loans") or may purchase Governmental National Mortgage Association securities ("GNMA Securities"), mortgage participation certificates (the "Freddie Mac PCs") guaranteed as to timely payment of principal and interest by the Federal Home Loan Mortgage Corporation ("Freddie Mac") and/or Federal National Mortgage Association securities ("Fannie Mae Securities") evidencing pools of Single Family Mortgage Loans or Qualified Rehabilitation Loans. (GNMA Securities, Freddie Mac PCs and/or Fannie Mae Securities also referred to as "Mortgage Backed Securities.") See "THE PROGRAM" herein for details of the loan program.

A portion of the proceeds of the 2006 Bonds will be used to refund portions of a number of different outstanding series of tax-exempt mortgage and home improvement revenue bonds or notes of the Authority (the "Prior Bonds"). Upon such refunding, additional proceeds of the 2006 Bonds, together with certain funds and assets held under the Indenture and related to the Prior Bonds (collectively the "Available Funds") will become available to the Authority to be used to (1) make or purchase First Mortgage Loans, (2) purchase GNMA Securities, Freddie Mac PCs and/or Fannie Mae Securities backed by pools of First Mortgage Loans and (3) make deposits to certain funds and accounts under the Indenture. The First Mortgage Loans financed with the Available Funds will be originated by a number of lending institutions ("Mortgage Lenders") pursuant to Mortgage Loan Purchase, Origination and Servicing Agreements for First Mortgage Loans which are FHA-insured or which are subject to Repurchase Agreements and Mortgage Loan Origination, Sale and Servicing Agreements for First Mortgage Loans pooled for exchange for Fannie Mae Securities, GNMA Securities and/or Freddie Mac PCs (collectively, the "Origination Agreements").

In order to achieve economic savings, all of the proceeds of the 2006 Series B Bonds and the 2006 Series C Bonds are expected to be used to refund all of (i) the Authority's outstanding Single Family Mortgage Revenue Bonds, Series 1993 A (the "1993 Bonds") and (ii) the Authority's outstanding Single Family Mortgage Revenue Bonds, Series 1996 A, Series 1996 B and Series 1996 D (the "1996 Bonds"), such redemption occurring on or about May 1, 2006. As a result of the redemption of the 1993 Bonds and the 1996 Bonds, assets related to the 1993 Bonds and the 1996 Bonds will become associated with the 2006 Bonds.

Descriptions of the 2006 Bonds, the Authority, the security for the 2006 Bonds and certain provisions of the Indenture are included in this Official Statement. Capitalized terms not otherwise herein defined are used as defined in the Indenture. All references herein to the Indenture and other documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available for inspection at the designated corporate trust office of the Trustee.

## **THE AUTHORITY**

### **Purpose**

The Authority was established in 1946 pursuant to the Act which granted the Authority the power to eliminate blighted areas through redevelopment, including the construction, rehabilitation or conservation of residential housing. In order to carry out its corporate purposes, the Authority has been granted the power to issue bonds, to cooperate with the City and to enter into contracts necessary or convenient to the exercise of its powers. The Authority's field of operation (as that term is defined in the Act) is coterminous with the corporate limits of the City. The principal office of the Authority is located at 200 Ross Street, Pittsburgh, Pennsylvania 15219.

## Organization

The powers of the Authority are vested in and exercised by a five member board (the "Authority Board") appointed by the mayor of the City. All of the members of the Authority Board are residents of the City and hold office for a term of five years or until a successor is appointed. The members of the Authority Board meet monthly at the offices of the Authority. They determine policy matters and approve contracts under which the Program is conducted. The members of the Authority Board, dates of expiration of their terms as members and their principal occupations are as follows:

B.J. Leber, Chairman, 2010, Chief of Staff – Mayor’s Office, City of Pittsburgh  
William C. Rudolph, Vice-Chairman, 2008, Business Owner and Real Estate Developer  
Jim Ferlo, Treasurer, 2007, State Senator, Commonwealth of Pennsylvania  
Claire Staples, Member, 2006, Maintenance Supervisor, Commonwealth of Pennsylvania  
Tonya Payne, Member, 2009, City Councilperson, City of Pittsburgh

## Staff

The Act provides that the Authority Board may select an executive director, a secretary, legal counsel, technical experts and such other employees as it may require. The staff of the Authority presently consists of 83 full-time and 2 part-time employees. The senior personnel who have executive and staff responsibility for the Program are:

Jerome N. Dettore, P.E. – Executive Director – Mr. Dettore joined the Issuer as Project Engineer in the Engineering Department in 1969, was director of Planning and Engineering from 1978 to 1993 and Deputy Executive Director from 1993 to 2004. Mr. Dettore is a graduate of Carnegie Mellon University and the University of Pittsburgh and is a Registered Professional Engineer.

Constance L. Eads, CPA – Deputy Executive Director – Finance and Operations – Ms. Eads joined the Issuer as Controller in 1993 and became Deputy Executive Director – Finance and Operations in 2004. A CPA since 1981, she has experience in public accounting, non-profits, and the private sector, as well as governmental agencies. She is a member of the Government Finance Officers Association, the American Institute of CPAs and the Pennsylvania Institute of CPAs. Ms. Eads is a graduate of Ohio University with a Bachelor of Business Administration degree in accounting and a Bachelor of Science degree in communications.

Donald A. Kortlandt – General Counsel and Secretary – Mr. Kortlandt was an associate and partner of Kirkpatrick & Lockhart Nicholson Graham LLP from October 1977 until January 2005, was a partner of Hergenroeder, Rega & Sommer LLC from January 2005 until January 2006, and has held his current position since January of 2006. Mr. Kortlandt holds a bachelors degree from the Massachusetts Institute of Technology and a Juris Doctor degree from Columbia University Law School.

Tom Cummings – Director, Department of Housing – Mr. Cummings joined the Authority in 1990 as a Development Officer in the Multifamily Division of the Housing Department, and was subsequently promoted to Senior Development Officer, Development Manager in 1994 and Manager of Development Programs in 1996. In July, 2003 Mr. Cummings was appointed Director of the Housing Department. Mr. Cummings has a Bachelor of Arts degree from Bucknell University and a Masters of Public Administration degree from Penn State University.

Tom Short – Assistant Director, Department of Finance – Mr. Short has over 28 years experience with both the Housing Department and Finance Department of the Urban Redevelopment Authority. Tom has been associated with both the Mortgage Revenue Bond Program and the Home Improvement Loan Program since their inception in 1979. Currently he oversees the loan receivable portion of all URA portfolios, coordinates Master Servicing, and the Finance to Housing operations relationship. Mr. Short holds a Master Degree in Public Administration with a concentration in Financial Management from the University of Pittsburgh and bachelors degrees from Kent State University in Business Management and Economics.

Jenny Kohnfelder – Manager of Consumer Loan Programs, Department of Housing – Ms. Kohnfelder joined the Authority in 1985. Ms. Kohnfelder worked as a Project Monitor and was promoted to Finance Specialist in 1994 and was responsible for marketing of the Mortgage Administration and Home Rehabilitation programs. In 1997, Ms. Kohnfelder was promoted to Communications Coordinator for the Authority. In January, 2006 Ms. Kohnfelder became Manager of the Consumer Programs. Ms. Kohnfelder has a Bachelor of Science degree in Communications from the University of Pittsburgh.

Daniel J. Van Doornik, CPA – Accounting Manager, Department of Finance – Mr. Van Doornik joined the Issuer as Fund Accounting Manager in 2002 and became Accounting Manager in 2004. Mr. Van Doornik has administrative responsibility for the Indenture under which the Bonds are being issued. Mr. Van Doornik has been a CPA since 1993 and is a graduate of Calvin College with a Bachelor of Science degree in Accountancy.

## **THE 2006 BONDS**

### **General Description**

The 2006 Bonds are dated April 12, 2006 and bear interest from the most recent Interest Payment Date to which interest has been paid, or if no interest has been paid, from April 12, 2006. Interest will be payable semiannually on each April 1 and October 1 commencing October 1, 2006 (the "Interest Payment Dates"). Interest is payable to the registered owners of the 2006 Bonds as of the close of business on the fifteenth day of the month preceding the relevant Interest Payment Date (the "Record Date"). The 2006 Bonds will mature on the dates and in the amounts set forth on the inside cover hereof. The 2006 Bonds are subject to redemption (including, but not limited to, special redemptions at any time) prior to maturity as hereinafter set forth.

The 2006 Bonds will be fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The 2006 Bonds will be transferable and exchangeable upon the terms and conditions set forth in the Indenture.

The principal of, premium, if any, and interest on the 2006 Bonds will be payable upon surrender thereof at the designated corporate trust office of J.P. Morgan Trust Company, National Association (successor by merger to Chase Manhattan Trust Company, National Association, successor trustee to PNC Bank, National Association), Pittsburgh, Pennsylvania (the "Trustee"). Interest on the 2006 Bonds will be paid by check or draft mailed by the Trustee to the registered owners thereof on the Record Date.

Interest on any given 2006 Bond shall accrue from the Interest Payment Date next preceding the date of registration of such 2006 Bond (unless such 2006 Bond is registered as of a day during the period from and including the sixteenth day of the month next preceding any Interest Payment Date to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless such 2006 Bond is registered before September 15, 2006, in which event it shall bear interest from April 12, 2006) until the Authority's obligation with respect to the payment of such principal sum shall be discharged as provided in the Indenture.

#### Application of the Proceeds of the 2006 Bonds

A portion of the proceeds of the 2006 Bonds will be used to refund the Prior Bonds. Following such refunding, Available Funds will then be used by the Authority for its Pittsburgh Home Ownership Program (PHOP) and its Pittsburgh Housing Recovery Program (HRP), to (1) make or purchase First Mortgage Loans, (2) purchase Fannie Mae Securities, Freddie Mac PCs and/or GNMA Securities backed by pools of First Mortgage Loans, and (3) make deposits to certain funds and accounts under the Indenture. See "THE PROGRAM" and APPENDIX B – "SUMMARY OF THE INDENTURE" herein.

In order to achieve economic savings, all of the proceeds of the 2006 Series B Bonds and the 2006 Series C Bonds are expected to be used to refund the 1993 Bonds and the 1996 Bonds, such redemption occurring on or about May 1, 2006. As a result of the redemption of the 1993 Bonds and the 1996 Bonds, assets related to the 1993 Bonds and 1996 Bonds will become associated with the 2006 Bonds.

It is initially intended that the Available Funds will be used primarily to purchase, (i) Fannie Mae Securities and/or Freddie Mac PCs backed by Single Family Mortgage Loans which are insured by private mortgage insurance, and (ii) GNMA Securities backed by Single Family Mortgage Loans which are FHA insured. See "PROGRAM STRUCTURE ASSUMPTIONS AND RISKS-Assumptions."

#### Book-Entry Only System

*The following information has been obtained from The Depository Trust Company ("DTC"), New York, New York for inclusion in official statements generally. Neither the Authority, the Trustee nor the Underwriters make any representations with respect to such information.*

The 2006 Bonds will be initially available in book-entry form only. Purchasers of the 2006 Bonds will not receive certificates representing their interests in the 2006 Bonds purchased.

1. DTC, will act as 2006 Bonds depository for the 2006 Bonds. The 2006 Bonds will be issued as fully-registered bonds 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

2006 Bond certificate will be issued for each maturity of the 2006 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, 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"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 2006 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 2006 Bonds, except in the event that use of the book-entry system for the 2006 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2006 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 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 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.

5. Conveyance of notices and other communications by DTC to 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 2006 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2006 Bonds may wish to ascertain that the nominee holding the 2006 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.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the 2006 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 Authority or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 2006 Bonds 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Authority 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.

9. DTC may discontinue providing its services as 2006 Bonds depository with respect to the 2006 Bonds at any time by giving reasonable notice to Authority or Agent. Under such circumstances, in the event that a successor 2006 Bonds depository is not obtained, Security certificates are required to be printed and delivered.

10. Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor 2006 Bonds depository). In that event, 2006 Bonds certificates will be printed and delivered to DTC.

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

Special Redemption

The 2006 Bonds are subject to special redemption at the option of the Authority at the principal amount thereof plus accrued interest thereon, without premium, as follows:

1. In whole or in part, at any time, from amounts transferred to the Redemption Fund from the applicable First Mortgage Loan Account in the event such funds are not used to make or purchase First Mortgage Loans or purchase Fannie Mae Securities, Freddie Mac PCs or GNMA Securities (which date of redemption is intended to be not more than 30 days after notice of redemption);
2. In whole or in part, at any time, from amounts, including Mortgage Principal Prepayments and excess Revenues, transferred to the Redemption Fund from the Revenue Fund after the other transfers required to be made therefrom have been made; and
3. As necessary to preserve the tax-exempt status of the 2006 Bonds.

In the event that the 2006 Bonds are to be redeemed pursuant to paragraph 1 of the Special Redemption provisions above, a proportionate share of each maturity outstanding shall be selected for redemption, unless the Authority has filed with the Trustee a cash flow certificate showing that a redemption other than on a pro rata basis will not adversely affect the availability of revenues sufficient to make timely payment of principal of and interest on the 2006 Bonds and payment of all qualified program expenses, and that at all times the assets of the Program will equal or exceed the liabilities of the Program.

To comply with certain requirements of federal tax law, certain percentages of scheduled payments and prepayments of principal derived from loans allocated to the 2006 Bonds must be applied no later than the close of the first semi-annual period beginning after their receipt to the retirement of the 2006 Bonds through payment thereof at maturity or redemption. In the event that the 2006 Bonds are to be redeemed pursuant to paragraph 2 of the Special Redemption provisions above, the 2006 Bonds Priority Amounts (as hereinafter defined) shall be applied to the redemption of the 2006 Bonds and any other amounts available in the Redemption Fund may be applied to the redemption of any Bonds outstanding under the Indenture as directed by the Authority. The term "2006 Bonds Priority Amounts" means the following percentages of mortgage principal payments derived from loans allocated to the 2006 Series A Bond, the 2006 Series B Bond and the 2006 Series C Bond proceeds, during the following time periods:

<u>Time Period</u>	<u>10-Year Percentage*</u>
4/12/2006 to 11/30/2012	69.90973%
12/01/2012 to 4/11/2016	94.98495%
4/12/2016 to Final Maturity	100.00000%

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\* Certain values may be rounded.

To the extent that the 2006 Series A Bonds or the 2006 Series C Bonds are specially redeemed as heretofore provided, the Mandatory Sinking Fund Payments (hereinafter discussed) for said Bonds shall be reduced on a pro rata basis or as otherwise permitted by the Indenture.

The likelihood of Special Redemptions is difficult to ascertain at this time. See "PROGRAM STRUCTURE ASSUMPTIONS AND RISKS."

Mandatory Sinking Fund Redemption

The 2006 Series A Bonds maturing on October 1, 2026 and October 1, 2036 are subject to mandatory redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Fund Payments established for each identified maturity, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as set forth in the following tables:

2006 Series A Bonds Maturing October 1, 2026

<u>Date</u>	<u>Principal Amount</u>
April 1, 2022	\$140,000
October 1, 2022	140,000
April 1, 2023	150,000
October 1, 2023	150,000
April 1, 2024	150,000
October 1, 2024	160,000
April 1, 2025	160,000
October 1, 2025	165,000
April 1, 2026	170,000
October 1, 2026	175,000*

\* At Maturity

2006 Series A Bonds Maturing October 1, 2036

<u>Date</u>	<u>Principal Amount</u>
April 1, 2027	\$180,000
October 1, 2027	185,000
April 1, 2028	185,000
October 1, 2028	195,000
April 1, 2029	200,000
October 1, 2029	200,000
April 1, 2030	210,000
October 1, 2030	215,000
April 1, 2031	220,000
October 1, 2031	225,000
April 1, 2032	230,000
October 1, 2032	240,000
April 1, 2033	240,000
October 1, 2033	250,000
April 1, 2034	255,000
October 1, 2034	265,000
April 1, 2035	270,000
October 1, 2035	275,000
April 1, 2036	285,000
October 1, 2036	280,000*

\* At Maturity

The 2006 Series C Bonds maturing on April 1, 2028 are subject to mandatory redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Fund Payments established for such maturity, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as set forth in the following table:

2006 Series C Bonds Maturing April 1, 2028

<u>Date</u>	<u>Par Amount</u>
April 1, 2022	\$520,000
October 1, 2022	530,000
April 1, 2023	525,000
October 1, 2023	530,000
April 1, 2024	540,000
October 1, 2024	520,000
April 1, 2025	420,000
October 1, 2025	350,000
April 1, 2026	340,000
October 1, 2026	345,000
April 1, 2027	315,000
October 1, 2027	275,000
April 1, 2028	290,000*

\* At Maturity

### Optional Redemption

The 2006 Bonds maturing after October 1, 2015, are subject to redemption, at the option of the Authority, in whole or in part, on October 1, 2015, and at any time thereafter, from any source, from any maturities selected by the Authority and by lot within a maturity, at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

If less than all of the 2006 Bonds of like maturity are to be redeemed, the particular 2006 Bonds to be redeemed shall be selected as provided in the Indenture. Notice of redemption shall be given by registered or certified mail not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date. If notice of redemption shall have been given as aforesaid, the 2006 Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all 2006 Bonds to be redeemed, together with interest to the redemption date, held by the Trustee shall be available for such payment on said date, then from and after the redemption date interest on such 2006 Bonds, as the case may be, shall cease to accrue and become payable. Less than all of a registered 2006 Bonds in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such 2006 Bonds, there shall be issued to the registered owner thereof, without charge therefore, for the unredeemed balance of the principal amount of such 2006 Bonds, a new 2006 Bonds of like series, designation, maturity and interest rate in any of the authorized denominations, all as more fully set forth in the Indenture.

### Transfer and Exchange

The 2006 Bonds are transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the designated corporate trust office of the Trustee, by the registered owner thereof, in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney, and thereupon the Authority shall issue in the name of the transferee a new registered 2006 Bonds of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered 2006 Bonds as provided in the Indenture and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent of the Authority may treat and consider the person in whose name a 2006 Bonds is registered as the absolute owner of such 2006 Bonds for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and for interest due thereon and for all other purposes whatsoever.

### Record Date

The Record Date for payment of interest on the 2006 Bonds shall be the fifteenth day of the month preceding any Interest Payment Date. With respect to overdue interest or interest payable on redemption of the 2006 Bonds other than on an Interest Payment Date, the Trustee may establish a special record date. The special record date may be not more than twenty (20) days before the date set for payment. The Trustee will mail notice of a special record date at least ten (10) days before the special record date to the person(s) whose name(s) the 2006 Bonds are registered on the fifth (5th) day prior to such mailing.

## SECURITY FOR THE 2006 BONDS

### Limited Obligations

The 2006 Bonds are limited obligations of the Authority payable solely from and secured by monies and revenues pledged under the Indenture. The Authority has no taxing power. The 2006 Bonds are not a debt or an obligation of the Commonwealth or any political subdivision of the Commonwealth, including the City. The 2006 Bonds are not a debt or an obligation of the United States of America, GNMA, Fannie Mae, Freddie Mac or any agency thereof. Neither the members of the Authority Board nor any person executing the 2006 Bonds shall be liable personally for the 2006 Bonds or subject to any personal liability or accountability by reason of the issuance thereof. Neither the Mortgage Lenders, the Trustee, nor any servicer will have any obligation for payment of the 2006 Bonds except as described herein.

### The 2006 Bonds are Parity Bonds

The 2006 Bonds are secured on a parity basis with all other bonds and notes currently outstanding under the Indenture (together with the 2006 Bonds, sometimes, the "Bonds"), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. (See "THE PROGRAM" herein.) On such parity basis, the 2006 Bonds are secured by all of the Revenues, as defined in the Indenture, which include all amounts received by the Authority or the Trustee from or with respect to any First Mortgage Loan, all GNMA Securities, Freddie Mac PCs and/or Fannie Mae Securities and any Repurchase Agreement, including, without limiting the generality of the foregoing, Mortgage Principal Prepayments and prepayments of, Freddie Mac PCs, and/or GNMA and/or Fannie Mae Securities resulting from mortgage principal prepayments as defined in the Indenture. The Bonds are also secured by any other amounts (including proceeds of the Bonds) held in any fund or account established pursuant to the Indenture (except for Nonmortgage Investment Excess, which is required to be remitted to the United States). The Bonds are further secured by all of the right, title and interest of the Authority in each First Mortgage Loan and each Freddie Mac PC, GNMA Security and/or Fannie Mae Security, and in each Origination Agreement (including all agreements entered into under each such document), which are pledged and assigned to the Trustee to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien upon and a security interest in such assets. The pledge and security interest are subject to the power of the Authority to direct the release of amounts from such funds and accounts free and clear of such pledge and security interest, after satisfying the then current requirements for all funds and accounts and certain other conditions.

Subordinate loans ("Equity Participation Loans") made or purchased with funds received pursuant to an Urban Development Action Grant ("UDAG") from the U.S. Department of Housing and Urban Development ("HUD") and certain funds made available pursuant to Federal Community Development Block Grants ("CDBG") may be additionally pledged under the Indenture as security for all obligations thereunder. The lien of the Equity Participation Loans, however, is subordinate to the lien of the First Mortgage Loan and to the mortgagor's original down payment on the same property.

The ability of the Authority to pay principal of and interest on the Bonds, including the 2006 Bonds, depends upon the receipt of sufficient Revenues, including the payment of principal and interest on First Mortgage Loans, Freddie Mac PCs, GNMA Securities and/or Fannie Mae Securities and the earnings from the investment or reinvestment of moneys held in funds and accounts under the Indenture. The Bond Reserve Fund, the Mortgage Reserve Fund and the Special Hazard and Loss Reserve Fund have been created under the Indenture to provide funds for the payment of principal of and interest on the Bonds if at any time Revenues, as defined in the Indenture, are insufficient for that purpose.

#### Security Requirements For All First Mortgage Loans

Each First Mortgage Loan must, among other requirements, (1) be secured by a first mortgage lien subject to permitted encumbrances on completed housing in the City, (2) be made substantially in accordance with the Indenture and the requirements of the Authority and the then current standard underwriting policies of the originating Mortgage Lender, (3) be covered by a title insurance policy insuring that the First Mortgage Loan is secured by a valid first lien on the residential property and (4) be covered by a fire and extended coverage insurance policy in an amount at least equal to the full insurable value of the property.

Each First Mortgage Loan, other than a Qualified Rehabilitation Loan, must either (a) have an unpaid principal balance not exceeding 75% of appraised value, (b) be secured by FHA insurance, (c) be insured by insurance other than FHA insurance, including a mortgage pool insurance policy and/or private mortgage insurance or (d) be secured by a Repurchase Agreement (as defined herein, unless otherwise approved by Standard & Poor's Corporation and Moody's Investors Service, Inc.). In lieu of, or in addition to complying with the foregoing sentence, the Authority may purchase Freddie Mac PCs, GNMA Securities and/or Fannie Mae Securities backed by pools of First Mortgage Loans. See "Single Family Mortgage Loan Primary and Pool Insurance Requirements" hereinafter within this section and APPENDIX D – "SUMMARY OF INSURANCE PROGRAMS AND FREDDIE MAC, FANNIE MAE AND GNMA SECURITY PROGRAMS" herein.

Qualified Rehabilitation Loans must at all times either (a) have an unpaid principal balance not exceeding 75% of appraised value, (b) be secured by a Repurchase Agreement to the extent of 100% of the principal amount of the Qualified Rehabilitation Loan plus 180 days accrued interest thereon, unless otherwise approved by Standard & Poor's Corporation and Moody's Investors Service, Inc. or (c) be part of a pool of First Mortgage Loans which are purchased by, Freddie Mac, Fannie Mae or GNMA in exchange for Freddie Mac PCs, Fannie Mae Securities or GNMA Securities, respectively.

#### Repurchase Requirements for Repurchase Loans

A "Repurchase Loan" is any Single Family Mortgage Loan or Qualified Rehabilitation Loan which is subject to repurchase pursuant to a Repurchase Agreement, as described below. Each Repurchase Loan must at all times be secured by a Repurchase Agreement to the extent of 100% of the outstanding principal amount of the Repurchase Loans plus 180 days accrued interest.

"Repurchase Agreement" means one or more letters of credit, repurchase agreements or such other security instruments or agreements which support the repurchase requirements of the Mortgage Lenders in connection with the Repurchase Loans and which is provided by an entity having a rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. which is not less than the rating of all Bonds outstanding under the Indenture at the time such Repurchase Agreement is initially provided to the Trustee. Any renewal or extension of an existing Repurchase Agreement may have the ratings of the then-existing Repurchase Agreement. Any substitution of an existing Repurchase Agreement must be provided by an entity having a rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. which is not less than the ratings on all Bonds Outstanding under the Indenture at the time of the substitution. The repurchase obligation of any Mortgage Lender (or related entity) whose long-term debt rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. is not less than all Bonds Outstanding under the Indenture at the time the repurchase obligation is initially made may be evidenced by the execution and delivery of a First Mortgage Loan Purchase, Origination and Servicing Agreement. Certain current Repurchase Agreements are comprised of letters of credit issued by (or repurchase obligations under Origination Agreements of) PNC Bank, National Association (the "Bank") which presently have expiration dates (subject to extension at the sole discretion of the Bank) ranging from March 15, 2008 to September 15, 2008.

In the case of a defaulted First Mortgage Loan which is a Repurchase Loan, in the event that the Mortgage Lender does not repurchase such defaulted Repurchase Loan within sixty (60) days after the Repurchase Loan has been delinquent for one hundred and twenty (120) days, the Trustee, upon written notice of such delinquency given by the Authority to the Trustee not less than five (5) business days prior to such sixtieth (60th) day shall draw on the Repurchase Agreement so that, on such sixtieth (60th) day, the Trustee has funds in an amount equal to the then outstanding principal amount of such defaulted Repurchase Loan plus an amount equal to the accrued but unpaid daily interest at the stated rate on the defaulted Repurchase Loan, based upon a 360-day year. The Trustee shall deposit any funds received as a result of a draw on the Repurchase Agreement into the Revenue Fund.

Repurchase Loans may be originated only to the extent that the amount to be disbursed from the applicable First Mortgage Loan Account does not cause the aggregate of all Repurchase Loans theretofore purchased, plus 180 days accrued interest thereon, to exceed the amount available under the Repurchase Agreement. The Trustee shall draw all funds then available under the Repurchase Agreement before noon on the fifth (5th) day prior to the expiration or termination of the Repurchase Agreement unless the Authority shall have caused to be provided to the Trustee prior to such date a renewal, extension or substitute Repurchase Agreement providing a term of at least one year.

The Repurchase Agreement shall be required to be in effect only while any Repurchase Loans are held under the Indenture. The amount of the Repurchase Agreement may be increased or reduced from time to time to reflect the amount of Repurchase Loans then held under the Indenture.

## Single Family Mortgage Loan Primary and Pool Insurance Requirements

As First Mortgage Loans, each Single Family Mortgage Loan financed with the proceeds of the Bonds issued under the Indenture must at the time of acquisition by the Authority either have an unpaid principal balance not exceeding 75% of the appraised value of the property or be insured, guaranteed or secured by:

- (1) The Federal Housing Administration ("FHA") or any other agency or instrumentality having similar powers to insure Single Family Mortgage Loans pursuant to a final commitment for insurance or guaranty of the Single Family Mortgage Loan to the extent provided in its regulations, provided that the Mortgage Lender must repurchase the Single Family Mortgage Loan, if a final endorsement of insurance or guaranty is not received within a reasonable time;
- (2) The Veterans Administration ("VA");
- (3) A Private Mortgage Insurer ("PMI") which is approved by the Federal Home Loan Mortgage Corporation ("Freddie Mac" or "FHLMC") and at the time of issuance of the policy is rated at least AA by a major investor rating service which commonly rates securities issued by municipalities; or
- (4) A Repurchase Agreement.

In the event proceeds of a series of Bonds are intended to purchase Single Family Mortgage Loans insured with Private Mortgage Insurance or guaranteed by the VA, a mortgage pool insurance policy must also be obtained. The policy will provide insurance coverage on the full amount of any loss realized as a result of default in payments or certain non-monetary defaults by a mortgagor on every Single Family Mortgage Loan foreclosed (after payment by the VA or the PMI, if any), subject to a limitation on aggregate net losses of 15% of the original principal amount of all the Single Family Mortgage Loans covered by the policy. The policy will cover all Single Family Mortgage Loans purchased by the Authority under the Program other than those to be insured by FHA, subject to a Repurchase Agreement and the Freddie Mac, GNMA or Fannie Mae secured loans. The Authority has agreed in the Indenture to use its best efforts to maintain the mortgage pool insurance policy with a qualified insurer in the amount of the initial coverage once such policy is obtained. The mortgage pool insurance policy currently in effect with respect to Single Family Mortgage Loans under the Indenture is with General Electric Mortgage Insurance Companies (formerly Verex Assurance Inc.).

## Certain Funds of the Indenture

### *Special Hazard and Loss Reserve Fund*

The Special Hazard and Loss Reserve Fund may be used for the following purposes:

- (1) to provide for the payment of expenses or losses which are incurred (a) as a result of risks not covered by a standard hazard insurance policy, (b) to acquire good and merchantable title to and possession of property subject to a defaulted First Mortgage Loan as a prerequisite to making a claim for mortgage insurance, or (c) for the maintenance and preservation of the value of property subject to a defaulted First Mortgage Loan, including but not limited to real property taxes, insurance, foreclosure fees, including appraisal and

legal fees, repairs, rehabilitation, maintenance and utilities and improvements necessary for sale; and

(2) to provide the amount, if any, needed to increase the balance in the Revenue Fund to an amount sufficient to pay any principal, sinking fund installment or interest due and payable with respect to the Bonds, to the extent that such amount is not available in the other funds and accounts pledged under the Indenture.

The Special Hazard and Loss Reserve Fund is required to be maintained at the Special Hazard and Loss Reserve Requirement which is in an amount equal to the greater of (1) the aggregate for all outstanding Bonds (other than Bonds the proceeds of which are used to purchase Freddie Mac PCs, GNMA Securities and/or Fannie Mae Securities or to make Repurchase Loans) of (a) 1% of the amount of the First Mortgage Loans to be purchased with the amount initially deposited in each First Mortgage Loan Account until the first principal payment date following the tenth year after the issue date for each series of Bonds, and (b) thereafter 1% of the initial principal amount of all First Mortgage Loans then outstanding with respect to each series of Bonds, or (2) \$100,000.

#### *Mortgage Reserve Fund*

The amount in the Mortgage Reserve Fund may be used to provide the amount, if any, needed to increase the balance in the Revenue Fund to an amount sufficient to pay debt service on the Bonds, to the extent that such amount is not available in First Mortgage Loan Accounts and the Redemption Fund.

The Mortgage Reserve Requirement is equal to 1% of the principal amount of all Outstanding Bonds as of the date of calculation. The Authority may not, at any time, issue Bonds, if upon the issuance of such Bonds, the amount in the Mortgage Reserve Fund will be less than the Mortgage Reserve Requirement, unless the Authority, at the time of issuance, deposits in such Fund an amount which, together with the amount then in such Fund, will be not less than the Mortgage Reserve Requirement.

#### *Bond Reserve Fund*

The amount in the Bond Reserve Fund shall be used to provide the amount, if any, necessary to increase the balance in the Revenue Fund to an amount sufficient to pay principal of and interest on the Bonds, to the extent that such amount is not available in First Mortgage Loan Accounts, the Redemption Fund and the Mortgage Reserve Fund.

The Bond Reserve Requirement is equal to at least 10% of the principal amount of all Outstanding Bonds. The Authority may not, at any time, issue Bonds, if upon the issuance of such Bonds, the amount in the Bond Reserve Fund will be less than the Bond Reserve Requirement, unless the Authority, at the time of issuance, shall deposit in such Fund an amount which, together with the amount then in such Fund, will be not less than the Bond Reserve Requirement.

## *Revenue Fund*

The Authority shall deposit into the Revenue Fund all investment earnings in excess of the requirement of the funds and accounts and all Revenues including all payments and other income received by the Authority from First Mortgage Loans, the Freddie Mac PCs, the GNMA Securities, the Fannie Mae Securities and Equity Participation Loans but excluding escrow payments, servicing fees, certain other charges of the servicers and commitment fees, if any, charged by the Authority. Interest and principal on the Bonds will be paid from amounts on deposit in the Revenue Fund. See APPENDIX B – "SUMMARY OF THE INDENTURE" for additional information with respect to deposits to and transfers from the Revenue Fund.

### Additional Bonds

The Indenture permits the issuance of additional Bonds to provide funds for the purpose of making or purchasing First Mortgage Loans and Freddie Mac PCs, GNMA Securities and/or Fannie Mae Securities or for refunding of Outstanding Bonds and, upon the satisfaction of certain conditions set forth in the Indenture, including certification of the Authority that the issuance of such additional Bonds will have no material adverse effect on the ability of the Authority to pay the principal, premium, if any, and interest on all Bonds as and when the same are scheduled to be paid. Such certificate shall include a cash flow projection of the revenues, payments of principal and interest on Bonds and operating expenses for the Program anticipated with respect thereto. The 2006 Bonds and any additional Bonds issued under the Indenture will be on a parity with all other Outstanding Bonds.

## **THE PROGRAM**

### Introduction

In order to encourage the construction of new housing and the acquisition and/or rehabilitation of existing housing within the City, the City and the Authority have established the Program under the Indenture to provide below-market interest rate financing for the acquisition of newly constructed or existing housing and the rehabilitation of existing housing. The Program may provide funds for the purchase of the following loans: (1) Single Family Mortgage Loans insured by FHA, (2) Single Family Mortgage Loans insured by insurance other than FHA insurance, including private mortgage insurance and Repurchase Agreements, and (3) Qualified Rehabilitation Loans secured by Repurchase Agreements. In lieu of, or in addition to complying with the foregoing sentence, the Authority may purchase Freddie Mac PCs, GNMA Securities and/or Fannie Mae Securities backed by pools of First Mortgage Loans. The Program has historically been funded primarily with funds of the Program. However, CDBG, Federal HOME Investment Partnership Program ("HOME") funds, UDAG funds and moneys received from the Pennsylvania Department of Community and Economic Development have also provided funding.

### Program Eligibility Guidelines

The Authority has adopted administrative guidelines for determining the eligibility of borrowers and properties for First Mortgage Loans. First Mortgage Loans may be made to any person who meets the underwriting standards of the Program for the ownership of residential property within the City. Eligible properties must be owner-occupied and must be a single family dwelling if new or, if an existing property, consist of no more than four dwelling units. Eligible properties may be condominium dwellings.

First Mortgage Loans (other than Qualified Rehabilitation Loans) may be made for the purchase of existing, newly constructed or substantially rehabilitated housing. First Mortgage Loans (other than Qualified Rehabilitation Loans) for newly constructed or substantially rehabilitated housing will be eligible for funding from Bond proceeds only upon completion of the construction or rehabilitation. Qualified Rehabilitation Loans may be made to provide permanent financing for (a) the acquisition and rehabilitation of existing housing, (b) the rehabilitation of existing housing, or (c) the refinancing of existing indebtedness on existing housing in conjunction with the rehabilitation of such housing.

The Authority reserves the right to amend its administrative guidelines from time to time in accordance with the Program objectives or in order to preserve the tax-exempt nature of the 2006 Bonds.

### Down Payment/Closing Costs Assistance Program

Under this program, the Authority expects to assist low income eligible borrowers with obtaining required funds for down payments and closing costs in the amount of \$3,000. The assistance will be in the form of a grant. The Authority expects to have approximately \$276,000 available to assist approximately 92 borrowers. The program will be funded from available funds of the Authority.

### Lead Based Paint Reduction Grant

Under this program, the Authority requires borrowers to complete lead hazard reduction work pursuant to HUD's Lead Safe Regulation (24CFR Part 35). Borrowers will be eligible for a grant to cover the costs of the lead work and all related fees. The Authority expects to have approximately \$121,500 available to assist approximately 20 borrowers. The program will be funded from available funds of the Authority.

### Compliance with Section 143

First Mortgage Loans made available as a result of the issuance of the 2006 Bonds are required to comply with conditions for exemption of interest on the 2006 Bonds from federal income taxation under Section 143 ("Section 143") of the Internal Revenue Code of 1986, as amended (the "Code").

### *Residence Requirement*

Section 143 requires that each property financed with a First Mortgage Loan must: (1) be a "single family" residence which, at the time the First Mortgage Loan is executed, can reasonably be expected by the Mortgage Lender to become the principal residence of the borrower within 60 days of closing (or 150 days with respect to a Qualified Rehabilitation Loan), must not be primarily intended by the borrower to be used in a trade or business and may not be used as an investment property or a recreational home, and (2) be located in the City. The Mortgage Lender must obtain an affidavit of the borrower stating that the borrower intends to use the property as his or her principal residence and that the property is located in the City.

### *Three-Year Requirement*

Section 143 requires that, for First Mortgage Loans purchased with at least 95% of the lendable proceeds of the 2006 Bonds, each borrower obtaining a First Mortgage Loan (but not for a target area property, as hereinafter described, or a Qualified Rehabilitation Loan) must have had no present ownership interest in a principal residence at any time during the three-year period prior to the execution of the First Mortgage Loan other than the residence with respect to which the financing is being provided. If applicable, the Mortgage Lender must (1) obtain an affidavit of the borrower to such effect and (2) undertake a review of the federal income tax returns for the prior three years to determine that the borrower did not claim deductions for taxes or interest on indebtedness with respect to a principal residence.

### *Purchase Price Requirement*

Section 143 requires that the acquisition cost of each property financed with a Mortgage Loan must not exceed 90% (110% in Targeted Areas (hereinafter defined)) of the "average area purchase price" applicable to such residence. The determination of such limit is made separately for residences which have not been previously occupied and those that have been previously occupied. With respect to Qualified Rehabilitation Loans, the "purchase price" limit is based upon the adjusted basis of the owner in the property as of the completion of the rehabilitation. The U.S. Treasury has published "safe harbor" purchase price limits, which may be relied upon by the Authority for the purposes of Section 143. The maximum acquisition costs applicable for the Program as of the date hereof are:

<u>Existing Housing</u>	<u>Non-Target Area</u>	<u>Target Area</u>
One Unit	\$216,000	\$264,000
Two Units	\$261,701	\$319,857
Three Units	\$316,327	\$386,621
Four Units	\$393,120	\$480,480

The Mortgage Lender must obtain affidavits of both the borrower and the seller, if any, stating: (1) the purchase price of the property and (2) the purchase price includes all amounts paid or to be paid by the borrower or received by the seller in connection with the sale of the property.

*Income Limitations*

Section 143 limits the availability of mortgage bond financing to mortgagors whose family incomes do not exceed 115% of the greater of area or state median income except in Targeted Areas. Household income of mortgagors (as well as median area income) is to be determined under Treasury Department regulations which take into account the regulations and procedures under Section 8 of the United States Housing Act of 1937. In Targeted Areas, two-thirds of the mortgage financing provided with the proceeds of each issue must be provided to mortgagors who have family incomes not exceeding 140% of the greater of area or state median income. The remaining third of the net proceeds used to provide mortgage loans in Targeted Areas may be loaned without regard to income limitations. The current income limits applicable to the Program are as follows:

<u>Household Size</u>	<u>Non-Target Area</u>	<u>Target Area</u>
1-2 persons	\$55,350	\$66,450
3 or more	\$63,650	\$77,500

*New Mortgage Requirement*

Section 143 requires that First Mortgage Loans (other than Qualified Rehabilitation Loans) may not be used to acquire or replace an existing mortgage. Temporary initial financing with a term of 24 months or less is not treated as the acquisition or replacement of an existing mortgage. Under the Agreement, the Mortgage Lender must obtain an affidavit of the borrower to such effect.

*Mortgage Loan Not Assumable*

It is a requirement of Section 143 that a First Mortgage Loan may not be assumed unless the property, the person assuming the First Mortgage Loan and the purchase price at the time of assumption meet the residence requirements, three-year requirement, purchase price requirements and income requirements set forth above. The form of the mortgage provides that the First Mortgage Loan may not be assumed unless all the Authority's requirements have been met.

*Qualified Rehabilitation Loan Requirements*

In addition to the requirements listed above, the following requirements are applicable to Qualified Rehabilitation Loans:

- (1) There is a period of at least twenty (20) years between the date on which the building was first used and the date on which the physical work on the rehabilitation begins;
- (2) In the rehabilitation process, all of the following must be met:
  - (a) 50 percent or more of the existing external walls of the building must be retained in place as external walls;
  - (b) 75 percent or more of the existing external walls of the building must be retained in place as internal or external walls; and

(c) 75 percent of the existing internal structure framework of the building must be retained in place;

(3) The expenditures for the rehabilitation must be equal to twenty-five percent (25%) or more of the borrower's adjusted basis in the residence, determined as of the completion date of the rehabilitation.

#### *Targeted Areas*

The Code requires the Authority to make at least the lesser of (i) 20% of the non-refunding lendable proceeds of the 2006 Bonds or (ii) 40% of the average annual aggregate principal amount of mortgages executed in the preceding three calendar years for single family owner-occupied residences located in certain designated areas ("Targeted Areas") available for First Mortgage Loans in the Targeted Areas for a period of at least one year from the issuance date of said Bonds and to use reasonable diligence to place such proceeds in qualified mortgages in Targeted Areas. The Authority has covenanted in the Indenture to make the required portion of the lendable proceeds so available. In addition, pursuant to the Indenture and the Origination Agreements, the Authority and the Mortgage Lenders have covenanted 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.

#### *Arbitrage Requirements*

The Code contains special arbitrage provisions applicable to issues of tax-exempt bonds. The Code requires issuers to pay to the United States 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 issue. The Authority has covenanted to comply with instructions to be delivered by Bond Counsel simultaneously with the issuance and delivery of tax-exempt Bonds which contain provisions designed to ensure that the arbitrage provisions of the Code are satisfied.

#### *Recapture Provision*

The Code requires a payment to the United States from certain mortgagors with respect to First Mortgage Loans originated after December 31, 1990 upon sale or other disposition of their homes financed by a First Mortgage Loan (the "Recapture Provision"). The Recapture Provision requires that an amount determined to be 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 within nine (9) years of the later of the closing or assumption of the First Mortgage Loan. The recapture amount increases over the period of ownership, with full recapture occurring if the house is sold at the end of the fifth year. The recapture amount declines ratably to zero with respect to sales occurring in years six (6) through nine (9). An exception excludes from recapture part or all of the subsidy in the case of assisted individuals whose income is less than prescribed amounts at the time of the disposition.

The Servicer (the following was provided by US Bank)

The Master 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 AUTHORITY, 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 AUTHORITY, 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 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 Leader. 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 6<sup>th</sup> largest financial services holding company in the United States.

Chronology of the Program

The Authority has issued and has outstanding (December 31, 2005) under the Indenture the following Bonds:

Bond Series	Issuance Amount	Amount Outstanding
1979 Series A	\$23,500,000	\$0
1980 Series A	4,800,000	0
1982 Series A	15,000,000	0
1983 Series A	10,000,000	0
1983 Series B	900,000	0
1983 Series C	19,750,000	0
1983 Series D	4,500,000	0
1984 Series A	20,000,048	0
1986 Series A	8,750,000	0
1986 Series B	1,730,000	0
1987 Series A	17,294,138	0
1987 Series B	5,600,000	0
1988 Series A	10,400,000	0
1989 Series D	3,365,000	0
1989 Series E	4,000,000	0
1990 Series A	14,385,000	0
1990 Series B	5,055,000	0
1990 Series C	14,385,000	0
1990 Series D	5,055,000	0
1990 Series E	14,385,000	0
1990 Series F	10,105,000	0
1991 Series A	4,565,000	0
1991 Series B	3,175,000	0
1991 Series C	9,255,000	0
1991 Series D	1,860,000	0
1991 Series E	9,260,000	0
1991 Series F	1,855,000	0
1991 Series G	10,815,000	0
1991 Series H	5,290,000	0
1992 Series A	8,295,000	0
1992 Series B	8,300,000	0
1992 Series C	8,300,000	0
1992 Series D	6,510,000	0
1992 Series A	8,295,000	0
1992 Series B	8,300,000	0
1992 Series C-1	6,725,000	0
1992 Series D-1	5,275,000	5,000
1993 Series A	29,480,000	11,410,000
1993 Series B	5,450,000	0

Bond Series	Issuance Amount	Amount Outstanding
1994 Series A	3,670,000	310,000
1994 Series B	9,065,000	0
1994 Series C	1,925,000	0
1995 Series A	9,860,000	5,000
1995 Series B	140,000	0
1996 Series A	7,920,000	6,105,000
1996 Series B	230,000	220,000
1996 Series C	10,010,000	0
1996 Series D	8,350,000	5,440,000
1997 Series A	12,870,000	8,180,000
1997 Series B	330,000	255,000
1997 Series C	12,580,000	7,565,000
1997 Series D	1,685,000	1,210,000
1997 Series E	3,500,000	0
1998 Series A	12,215,000	8,045,000
1998 Series B	3,935,000	3,550,000
1998 Series C	13,875,000	0
1998 Series D	2,440,000	0
1999 Series A	8,735,000	0
1999 Series B	3,440,000	1,525,000
1999 Series C	14,175,000	10,565,000
1999 Series D	1,825,000	1,665,000
1999 Series E	10,955,000	0
1999 Series F	3,045,000	0
2000 Series A	15,150,000	1,730,000
2000 Series B	3,720,000	2,360,000
2000 Series C	9,460,000	0
2000 Series D	3,490,000	0
2001 Series A	1,875,000	1,875,000
2001 Series B	10,125,000	8,925,000
2001 Series C	4,000,000	1,445,000
2002 Series A	2,885,000	2,475,000
2002 Series B	9,115,000	8,910,000
<b>Total</b>	<b>\$570,559,186</b>	<b>\$93,775,000</b>

As of December 31, 2005, the Bonds outstanding under the Indenture were secured by First Mortgage Loans (whole loans) in the amount of \$30,440,180, Mortgage Backed Securities in the amount of \$54,639,899 (outstanding balance) and cash and investments in the amount of \$21,198,260.

## Summary of Operations of the Program

### *Financed Loans*

As of December 31, 2005, the Program has financed \$236,485,780 in first mortgage loans. This amount represents the cumulative aggregate original principal balance of whole loans and securitized loans financed by the Program. Of the total loans financed, \$30,440,180 of whole loans and \$54,639,899 of mortgage-backed securities were outstanding. Of the total mortgage backed securities outstanding, \$7,753,844 were GNMA securities and \$46,866,055 were Fannie Mae securities.

### *Pipeline Loans*

The status of all First Mortgage Loans currently being originated by Mortgage Lenders as of December 31, 2005 is as follows:

Status of First Mortgage Loans	Cumulative aggregate original principal amount		Total
	Whole Loans	Securitized Loans	
Closed by Mortgage Lenders	0	143,936	143,936
Applications being processed by Mortgage Lenders	0	319,000	319,000
Funds available to Mortgage Lenders for origination of First Mortgage Loans	0	1,565,824	1,565,824
Total	0	2,028,760	2,028,760

### First Mortgage Loan Characteristics

The Authority accumulates certain information regarding mortgage loans originated and/or outstanding under the Program.

Types of Properties  
(as of December 31, 2005)

Cumulative Total of Originated Mortgage Loans

	<u>Owner-Occupied Properties</u>		<u>Investor-Owned Properties</u>		
	Number of Dwelling Units	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
1		4,673	199,551,384	44	1,841,484
2		383	19,294,532	45	2,372,826
3		94	5,776,074	50	3,266,349
4		28	2,195,604	29	2,187,527
Total		5,178	226,817,594	168	9,668,186

Loan-to-Value Ratio (as of December 31, 2005)

Cumulative Total of Originated Mortgage Loans

Original Loan to Value Ratio *	Number of First Mortgage Loans	Percentage of Total Number	Amount of First Mortgage Loans	Aggregate Percentage of Total Amount
Less than 75%	963	18%	37,535,694	16%
75% but less than 90%	941	18%	42,430,997	18%
90% but less than 95%	717	13%	30,554,744	13%
95% or more	2,725	51%	125,964,345	53%
Total	5,346	100%	236,485,780	100%

\* All First Mortgage Loans with loan-to-value-ratio of less than 75% at origination are uninsured except for a mortgage pool insurance policy.

Use of Mortgage Proceeds  
(as of December 31, 2005)

Cumulative Total of Originated Mortgage Loans

Type of Property Financed	Number of First Mortgage Loans	Percentage of Total Number	Origination Amount of First Mortgage Loans	Aggregate Percentage of Total Amount
Existing	3,802	71%	159,681,358	68%
Substantially Rehabilitated	1,010	19%	49,570,429	21%
Newly Constructed	534	10%	27,233,993	12%
Total	5,346	100%	236,485,780	100%

Income of Mortgagors at Origination  
(As of December 31, 2005)

Cumulative Total of Originated Mortgage Loans

Family Income of Borrower	Number of First Mortgage Loans	Percentage of Total Number
Less than \$10,000	68	1%
\$10,000 to \$14,999	374	7%
\$15,000 to \$19,999	855	16%
\$20,000 to \$24,999	1,063	20%
\$25,000 to \$29,999	1,038	19%
Greater than \$30,000	1,948	36%
Total	5,346	100%

Related Equity Participation Loans (EPL)  
(as of December 31, 2005)

Cumulative Total of Originated Mortgage Loans

	Number of Properties	Principal Amount of EPL's	Principal Amount of Related First Mortgage Loans	EPL as Percentage of Combined EPL and First <u>Mortgage Loans</u>
No EPL	3,919		167,806,753	0%
Installment EPL	140	1,849,075	7,768,794	19%
Deferred EPL	1,161	23,312,578	54,258,219	22%
Installment and Deferred EPL	126	3,331,312	6,652,014	33%
<b>Total</b>	<b>5,346</b>	<b>28,492,965</b>	<b>236,485,780</b>	<b>8%</b>

Primary Mortgage Insurance and Repurchase Agreements on Outstanding Whole Loans  
(As of December 31, 2005)

Mortgage Insurer	Number of Outstanding Whole Loans	Outstanding Principal Balance ("OPB")	% of Subtotal OPB	% of Total OPB
Private Mortgage Insurance United Guaranty, Inc. Ticor Mortgage Insurance Company	1	15,067	1.5%	
General Electric Mortgage Insurance Companies	50	1,022,712	98.5%	
<b>Subtotal</b>	<b>51</b>	<b>1,037,779</b>	<b>100.0%</b>	<b>3.4%</b>
Federal Housing Administration	718	28,113,508		92.4%
Lender Repurchase	30	1,079,231		3.5%
No Insurance Required	13	209,663		0.7%
<b>Total</b>	<b>812</b>	<b>30,440,180</b>		<b>100.0%</b>

Delinquencies and Foreclosures of Outstanding Whole Loans  
(As of December 31, 2005)

	Number of Whole Loans	Percentage	Outstanding Principal Balance	Percentage
Outstanding Whole Loans	812	100.0%	30,440,180	100.0%
Delinquent Whole Loans				
One Payment	61	7.5%	1,932,341	6.3%
Two Payments	21	2.6%	782,962	2.6%
Three Payments	53	6.5%	1,902,816	6.3%
Total	135	16.6%	4,618,119	15.2%
Total Loans In Foreclosure *	63	7.8%	1,884,329	6.2%

\*Includes only First Mortgage Loans purchased with Bond proceeds and excludes the Fannie Mae and GNMA secured loans. In addition, the Authority has completed foreclosure with respect to 273 First Mortgage Loans.

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## Outstanding Whole Loans and Mortgage Backed Securities

The following tables set forth by interest rate and dollar amount of Whole Loans and Mortgage Backed Securities held pursuant to the Indenture.

<u>Outstanding Principal Amount of Mortgage Loans</u>	Whole Loans (As of December 31, 2005) Number of Outstanding <u>Mortgage Loans</u>	<u>Mortgage Rate</u>
760,122	21	4.900%
2,017,051	39	4.990
531,669	5	5.250
2,019,235	43	5.400
55,300	1	5.450
2,076,469	39	5.500
313,116	10	5.625
1,660,997	24	5.750
1,216,205	21	5.900
176,292	4	5.950
255,717	10	6.000
1,313,479	41	6.250
105,030	2	6.375
8,086,900	173	6.500
106,529	5	6.625
1,538,695	40	6.750
583,902	18	6.900
771,624	15	6.980
347,876	10	7.125
246,871	7	7.250
87,019	3	7.500
60,244	3	7.625
816,068	33	7.650
41,550	1	7.850
76,746	2	8.050
1,146,661	52	8.375
40,183	1	8.400
547,710	20	8.500
2,699,594	124	8.875
94,859	6	10.375
580,818	34	10.875
10,961	1	12.000
54,687	4	13.500
30,440,180	812	

Mortgage Backed Securities  
(as of December 31, 2005)

Outstanding Amount	Mortgage Rate
1,423,881	4.375%
2,468,225	4.465%
1,998,844	4.490%
1,570,172	4.500%
658,198	4.725%
258,748	4.750%
186,432	4.990%
6,795,063	5.000%
694,637	5.100%
1,151,626	5.225%
1,286,913	5.250%
2,051,266	5.400%
1,366,537	5.425%
1,665,310	5.500%
154,327	5.550%
778,638	5.725%
3,198,688	5.975%
7,919,182	6.000%
545,112	6.225%
961,783	6.375%
1,999,181	6.400%
4,375,985	6.500%
1,204,056	6.600%
499,307	6.725%
44,913	6.850%
418,855	6.975%
357,086	7.100%
36,594	7.105%
1,157,459	7.125%
192,748	7.225%
764,143	7.250%
261,066	7.325%
476,031	7.525%
2,169,709	7.625%
143,371	7.650%
556,577	7.900%
415,120	7.975%
1,637,722	8.000%
35,663	8.100%
12,463	8.500%
37,490	9.000%
263,675	10.000%
400,701	10.500%
23,125	11.500%
23,274	13.000%
54,639,899	Total

\*Of this total, \$7,753,844 are GNMA's and \$46,886,055 are Fannie Maes.

## **PROGRAM STRUCTURE ASSUMPTIONS AND RISKS**

### **Assumptions**

Payments have been established on the First Mortgage Loans and the Freddie Mac PCs, GNMA Securities and/or Fannie Mae Securities to be financed with proceeds of the 2006 Bonds and Available Funds so that such payments plus money on deposit in the various funds and accounts (as well as earnings thereon, except those required to be remitted to the United States) will generate sufficient revenues to pay on a timely basis the principal of and interest on the 2006 Bonds and all other outstanding Bonds on the basis of the following assumptions:

1. An aggregate principal amount of \$2,000,000 of Fannie Mae Securities financing First Mortgage Loans, bearing interest at an average rate not in excess of 5.25% for their term, are also expected to be purchased.

An aggregate principal amount of \$4,000,000 of GNMA Securities financing First Mortgage Loans, bearing interest at an average rate not in excess of 5.25% for their term, are also expected to be purchased.

An aggregate principal amount of \$1,800,000 of Freddie Mac PCs financing First Mortgage Loans, bearing interest at an average rate not in excess of 5.25% for their term, are also expected to be purchased.

An aggregate principal amount of \$700,000 of Fannie Mae Securities financing First Mortgage Loans, bearing interest at an average rate not in excess of 6.00% for their term, are also expected to be purchased.

An aggregate principal amount of \$500,000 of Freddie Mac PCs financing First Mortgage Loans, bearing interest at an average rate not in excess of 6.00% for their term, are also expected to be purchased.

The foregoing describes the expected use of all Available Funds. The Authority, however, may make loans of any type, in any amounts and at any rates as are permitted by the Indenture.

2. To the extent that Available Funds are not used to purchase First Mortgage Loans and/or Fannie Mae Securities, GNMA Securities and/or Freddie Mac PCs in the amount anticipated, such moneys will be used to redeem 2006 Bonds. See "Risks Relative to the Origination of First Mortgage Loans" below. Upon redemption, the Authority expects that revenues will be sufficient to pay debt service on the remaining Bonds outstanding under the Indenture.

To the extent that assets become Available funds as a result of the redemption of the 1993 Bonds and the 1996 Bonds, those assets will become Available Funds and may become associated with the 2006 Bonds.

3. Monies deposited in the 2006 First Mortgage Loan Account(s) will be invested in Investment Obligations in accordance with the terms of the Indenture.

4. The scheduled maturities of the 2006 Bonds are based upon the assumption that none of the First Mortgage Loans or Mortgage Backed Securities will be prepaid. No reliable prediction can be made as to the level of prepayment or other early termination of the First Mortgage Loans and the resulting special redemption of the 2006 Bonds. The Authority does expect that a number of First Mortgage Loans will prepay, and therefore it is likely that the 2006 Bonds will have a shorter life than their stated maturities or mandatory sinking fund redemptions. In the event of such prepayment, the 2006 Bonds may be redeemed. Except as required by the Indenture, there is no assurance that prepayments will be applied to the 2006 Bonds. See "THE 2006 BONDS – Redemption Provisions" and "Risks Relative to Prepayment of Mortgage Loans" below.

#### Risks Relative to the Origination of First Mortgage Loans

The staff of the Authority has surveyed Mortgage Lenders that have expressed an interest in the Program and/or have participated in the Program in the past. The Authority by such surveys, its familiarity with the local mortgage market and past experience has attempted to ascertain potential demand for the origination of First Mortgage Loans. Based upon the foregoing, the Authority reasonably expects that First Mortgage Loans in an aggregate principal amount of \$9,000,000 will be originated during the origination period for the First Mortgage Loans. See "PROGRAM STRUCTURE ASSUMPTIONS AND RISKS – Assumptions." No assurances can be made, however, that such expectation will be realized.

One of the principal factors in originating mortgage loans is the availability of funds to make such loans at interest rates and on other terms that prospective mortgagors can afford. Prevailing interest rates for conventional or FHA insured mortgages in the City could, however, decrease, or other funds to make mortgage loans at rates and terms equivalent to or more favorable than the rate and terms of the First Mortgage Loans could be made available. In the event that, prior to all the First Mortgage Loans being originated by the Mortgage Lenders, funds to make mortgage loans were to become available at rates competitive with those specified for the First Mortgage Loans, the Mortgage Lenders might not be able to originate First Mortgage Loans to the extent of funds available therefor, with the result that there would be special redemptions of the 2006 Bonds. See "THE 2006 BONDS – Special Redemption."

The Code imposes certain requirements as to the qualification of potential mortgagors for First Mortgage Loans under the Program and the purchase price of the residences which may become subject to a First Mortgage Loan. These requirements restrict the ability of potential mortgagors and residential units to qualify for Mortgage Loans and thereby may materially impair the ability of Mortgage Lenders to originate First Mortgage Loans. 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 Program.

The Program in many instances is dependent on First Mortgage Loans being insured by FHA or guaranteed by VA. In the event that FHA's authority to insure Mortgage Loans or VA's authority to guarantee First Mortgage Loans is restricted or withdrawn during the origination period, the ability of the Mortgage Lenders to originate First Mortgage Loans could be impaired significantly.

## Risks Relative to Prepayment of Mortgage Loans

The maturities of the Bonds have been fixed based on the estimated average maturity date of the First Mortgage Loans assuming no prepayments. The actual rate of principal payments on pools of mortgage loans, however, 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. In general, if prevailing interest rates fall significantly, the First Mortgage Loans are likely to be subject to higher prepayment rates than if prevailing rates remain at or above the interest rates on such First Mortgage Loans. Conversely, if interest rates rise, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of First Mortgage Loans include changes in mortgagors' housing needs, job transfers, unemployment and mortgagors' net equity in the mortgaged properties. In addition, as homeowners move or default on their First Mortgage Loans, the houses are generally sold and the First Mortgage Loans prepaid, although under certain circumstances the First Mortgage Loans may be assumed by a new buyer. Because of the foregoing and since the rate of prepayment of principal of each Bond will depend on the rate of repayment (including prepayments) of the First Mortgage Loans, the actual repayment of any particular Bond is likely to occur earlier, and could occur significantly earlier, than its stated maturity.

## Other Risks

The remedies available to registered owners of the 2006 Bonds upon an event of default under the Indenture or 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 set forth in the Indenture and the various program documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2006 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. See APPENDIX B – "SUMMARY OF THE INDENTURE."

See "TAX EXEMPTION" herein for a discussion of the conditions under which interest on the 2006 Bonds may not be excludable from gross income of the recipients thereof for federal income tax purposes.

## **OTHER PROGRAMS OF THE AUTHORITY**

The following is a description of additional housing programs of the Authority and a summary of activity from their inception through the dates indicated.

### Other Single Family Programs

*Home Improvement Loans Program ("HILP")* – This program which began in 1978 provides financing for the rehabilitation of 1-4 unit, owner-occupied properties throughout the City. It is funded with proceeds from the sale of the Authority's Home Improvement Loan Revenue Bonds (taxable and tax exempt) and other sources. Loans are originated and serviced by participating lending institutions. The maximum loan amount is \$15,000 and the maximum loan term is 20 years. Through December 31, 2005, HILP had provided over \$100 million in financing which has rehabilitated 15,436 housing units.

*Pittsburgh Home Rehabilitation Program ("PHRP")* – This program operates with funds from the sale of the Authority's Home Improvement Loan Revenue Bonds, from CDBG funds and from HOME program funds received by the City. The program is intended for the benefit of low income homeowners (80% or less of the area median income) throughout the City. The maximum loan amount is \$35,000 and the maximum loan term is twenty (20) years. A portion of the principal may be deferred until the sale of the property. The loans have a zero percent (0%) interest rate. Through December 31, 2006, PHRP had provided over \$85.8 million in financing for the rehabilitation of 8,372 units.

*Homeowners' Emergency Loan Program ("HELP")* – This program provides zero percent (0%) interest rate loans to assist very low income City homeowners in correcting emergency conditions as defined by the Allegheny County Health Department. The maximum loan amount is \$7,000 and the maximum loan term is ten (10) years. Through December 31, 2005, HELP had provided over \$301 million in financing for the rehabilitation of 2,007 housing units.

*Neighborhood Housing Program ("NHP")* – The main objective of this program is to stimulate the new construction of single family housing for low and moderate income home buyers in targeted City neighborhoods. Through the NHP, the Authority provides commitments to builders/developers for set asides of deferred second mortgage financing for approved new construction developments. Through December 31, 2005, the NHP had provided over \$20.4 million in financing for the construction of 811 housing units.

*Pittsburgh Party Wall Program ("PPWP")* – This program, which began in 1977, provides assistance to qualified property owners to help with the reconstruction of exposed party walls on residential row structures. Through PPWP, the Authority provides grants to low income homeowners and to landlords with rental properties where a majority of the tenants are low income households. The maximum grant amount is \$7,500. Through December 31, 2005, PPWP had provided over \$6.2 million in assistance for the reconstruction of 1,194 party walls.

### Multifamily Programs

*Pittsburgh Housing Construction Fund ("PHCF")* – The purpose of the PHCF is to provide construction financing to non-profit and for-profit developers for the substantial rehabilitation or new construction of for-sale housing. PHCF provides low interest rate construction financing in order to increase the supply of affordable housing. Through December 31, 2005, this program had provided over \$63.8 million in financing for the development of 2,467 housing units.

*Rental Housing Development and Improvement Program ("RHDIP")* – The purpose of this program is to provide a flexible source of funding to non-profit and for-profit developers for the acquisition, new construction and rehabilitation of non-owner occupied residential rental housing primarily for low and moderate income households and special populations. RHDIP is designed to increase the supply of decent and affordable housing and to eliminate health, safety and property maintenance deficiencies and ensure compliance with applicable codes and standards. As of December 31, 2005, RHDIP funds totaling over \$106 million had been used in financing for the development of 12,965 units of housing units.

*Multifamily Mortgage Revenue Bond Program* – From time to time, the Authority issues taxable and tax-exempt revenue bonds to provide first mortgage financing for the acquisition, new construction and rehabilitation of residential rental housing. Through December 31, 2005, the Authority had provided financing of over \$80.2 million for 35 development projects containing 2,446 rental units.

*Pittsburgh Development Fund ("PDF")* – The Pittsburgh Development Fund (PDF) provides a flexible source of funding to non-profit and for-profit developers for the new construction of rental and for sale housing and for the acquisition and rehabilitation of rental and for sale housing. In total, the Authority has provided financing of approximately \$23.1 million for 12 developments containing 983 rental units and 199 for sale units.

### **TAX EXEMPTION**

In the opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel (the form of which is set forth in APPENDIX C hereto), based on laws, regulations, rulings, and court decisions, in existence on the date of issuance of the 2006 Bonds, interest on the 2006 Bonds is excluded from gross income for federal income tax purposes and the 2006 Bonds are exempt from taxation within the Commonwealth except for gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the 2006 Bonds, the transfer thereof, the income therefrom or the realization of profits on the sale thereof.

Bond Counsel is further of the opinion that interest on the 2006 Series A Bonds and the 2006 Series B Bonds is an item of tax preference within the meaning of Section 57(a)(5) of the Code for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations. Interest on the 2006 Series C Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), interest on the 2006 Series C Bonds is taken into account for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

The Code imposes various restrictions, conditions, and requirements relating to the exclusions from gross income for federal tax purposes of interest on obligations such as the 2006 Bonds. The Authority has covenanted to comply with certain guidelines designed to assure that interest on the 2006 Bonds will not become includable in federal gross income. Failure to comply with these covenants may result in interest on the 2006 Bonds being included in federal gross income, possibly from the date of issuance of the 2006 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of issuance of the 2006 Bonds may affect the tax status of interest on the 2006 Bonds.

Although Bond Counsel has rendered an opinion that interest on the 2006 Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2006 Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences.

**FINANCIAL STATEMENTS OF THE AUTHORITY**  
**RELATING TO THE PROGRAM**

Appendix A sets forth the audited financial statements of the Authority relating to the Program for the year ended December 31, 2004, which have been audited by Maher Duessel, Certified Public Accountants, independent auditors, as stated in their report appearing herein.

**LITIGATION**

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2006 Bonds or the purchase of First Mortgage Loans, Freddie Mac PCs, Fannie Mae Securities or GNMA Securities using the proceeds of the 2006 Bonds or contesting or affecting the validity of the 2006 Bonds or any proceeding of the Authority taken with respect to the issuance or sale of the 2006 Bonds, or the pledge or application of the monies provided for the payment of the 2006 Bonds or the existence or powers of the Authority.

**APPROVAL OF LEGALITY**

All legal matters incident to the authorization, issuance and delivery of the 2006 Bonds are subject to the approval of Eckert Seamans Cherin & Mellott, LLC of Pittsburgh, Pennsylvania, Bond Counsel. Certain legal matters will be reviewed for the Authority and by its general counsel, Donald A. Kortlandt, Esquire. Certain legal matters will be passed upon for the Underwriter by its counsel, R. Darryl Ponton & Associates, of Pittsburgh, Pennsylvania.

**CONTINUING DISCLOSURE**

The Authority will enter into an undertaking (the "Continuing Disclosure Certificate") for the benefit of the holders of the 2006 Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, §240.15c2-12). A copy of the Proposed Form of Continuing Disclosure Certificate is contained in Appendix E.

The Authority is in compliance with all previous continuing disclosure undertakings.

**UNDERWRITING**

The 2006 Bonds are being underwritten by Mellon Financial Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the 2006 Bonds at par (plus accrued interest). The Underwriter will receive an underwriting fee (net of the fee of Underwriters' Counsel) of \$215,187.38 from the Authority. The Underwriter has agreed to underwrite all the 2006 Bonds if any are issued, subject to certain terms and conditions relating to the issuance of the 2006 Bonds, including, without limitation, the approval of certain legal matters by counsel for the Underwriter, and certain other conditions. The public offering prices may be changed, from time to time, by the Underwriter. The Underwriter may offer and sell the 2006 Bonds to certain dealers (including dealers depositing 2006 Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices stated on the inside cover page hereof.

Mellon Financial Markets, LLC is affiliated with Mellon Bank, N.A. Mellon Bank, N.A. maintains various banking relationships with the Authority, has served as a provider of option bonds in connection with some single family mortgage bond issues of the Authority and participates in other programs of the Authority.

### **INVESTMENT AGREEMENTS**

Available Funds will be invested pending disbursement pursuant to a master repurchase agreement with Transamerica Occidental Life Insurance Company.

### **CASH FLOW CONSULTANT**

cfX Incorporated has served as cash flow consultant to the Authority in connection with the issuance of the 2006 Bonds.

### **FINANCIAL ADVISOR**

Caine Mitter & Associates Incorporated has been retained as Financial Advisor to assist the Authority in connection with the issuance of the 2006 Bonds and other financings.

### **RATINGS**

Standard & Poor's Corporation, 55 Water Street, New York, New York and Moody's Investors Service, Inc., 99 Church Street, New York, New York assigned their municipal bond ratings of "AAA" and "Aa1", respectively, to the 2006 Bonds. The ratings reflect only the view of these rating agencies and any desired explanation of the significance of such ratings should be obtained from such rating agencies. There is no assurance that a rating will apply for any given period of time or that a rating will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on the market price of the 2006 Bonds.

### **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or estimates whether or not expressly so stated, are set forth as such and not as representations of fact and no representations are made that any of the estimates will be realized.

The references herein to the Indenture and other documents referred to herein are summaries of certain provisions thereof and reference is made to such documents for full and complete statements of such provisions. Copies of the Indenture are available for inspection at the principal office of the Authority.

The Authority deems this Official Statement to be substantially final as of its date for purposes of Securities Exchange Commission Rule 15c2-12 and the Authority has agreed to comply with all applicable provisions of such rule.

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The execution and delivery of this Official Statement has been duly authorized by the Authority.

**URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH**

By: /s/ Jerome N. Dettore, P. E.  
Jerome N. Dettore, P. E.  
Executive Director

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APPENDIX A

FINANCIAL STATEMENTS OF THE AUTHORITY  
RELATING TO THE PROGRAM

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URBAN REDEVELOPMENT  
AUTHORITY OF  
PITTSBURGH

MORTGAGE REVENUE BOND PROGRAM

PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

WITH

INDEPENDENT AUDITOR'S REPORT

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MAHER DUESSEL

URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH

MORTGAGE REVENUE BOND PROGRAM

YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

<b>Independent Auditor's Report</b>	1
<b>Program Financial Statements:</b>	
Balance Sheet	2
Statement of Revenues, Expenses, and Changes in Retained Earnings	3
Statement of Cash Flows	4
Notes to Program Financial Statements	5

# MAHER DUESSEL

CERTIFIED PUBLIC ACCOUNTANTS

THREE GATEWAY CENTER – SIX WEST  
PITTSBURGH, PA 15222

(412) 471-5500  
FAX (412) 471-5508

## Independent Auditor's Report

Board of the Urban Redevelopment  
Authority of Pittsburgh

We have audited the accompanying balance sheet of the Urban Redevelopment Authority of Pittsburgh (Authority), Mortgage Revenue Bond Program (Program) as of December 31, 2004 and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the year then ended. These Program financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these Program financial statements based on our audit.

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

In our opinion, the Program financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Program as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



April 29, 2005

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### BALANCE SHEET

DECEMBER 31, 2004

<u>Assets</u>	
Cash and cash equivalents	34,921,723
Investments	4,836,400
Mortgage-backed securities	61,298,980
Interest receivable on investments	154,245
Mortgages receivable, net of allowance for loan losses	32,823,774
Due from participating lenders	382,639
Bond issuance costs	<u>1,605,802</u>
<b>Total Assets</b>	<b>\$ <u>136,023,563</u></b>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Bonds payable	\$ 120,395,000
Interest payable	1,597,359
Deferred revenue	<u>1,659,862</u>
<b>Total Liabilities</b>	<b>123,652,221</b>
<b>Net assets</b>	<b><u>12,371,342</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>136,023,563</u></b>

See accompanying notes to program financial statements.

**URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH**

**MORTGAGE REVENUE BOND PROGRAM**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS**

YEAR ENDED DECEMBER 31, 2004

**Operating Revenues:**

Income on mortgages	2,511,720
Interest – mortgage-backed securities	3,746,217
Total operating revenues	<u>6,257,937</u>

**Operating Expenses:**

Originating lender service fees	144,883
Administrative expenses	469,589
Amortization of bond issuance costs	126,987
Other operating expenses	66,724
Total operating expenses	<u>808,183</u>

**Operating Income** 5,449,754

**Non-Operating Revenues (Expenses):**

Earnings on investments	676,188
Decrease in fair value of mortgage-backed securities and investments	(433,421)
Interest	(6,793,062)
Other income	150,451
Net non-operating revenues (expenses)	<u>(6,399,844)</u>

**Net Loss** (950,090)

**Net Assets:**

Beginning of year	<u>13,321,432</u>
End of year	<u>\$ 12,371,342</u>

See accompanying notes to program financial statements.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2004

**Cash Flows From Operating Activities:**

Receipts from borrowers	\$ 8,384,169
Loans made to borrowers	(769,518)
Receipts from mortgage-backed securities	13,901,851
Payments made to purchase mortgage-backed securities	(4,890,022)
Payments for services	(831,647)
	15,794,833
Net cash provided by (used in) operating activities	

**Cash Flows From Investing Activities:**

Earnings on investments	693,072
Purchase of investments	(1,561,364)
Sale of investments	2,378,749
	1,510,457
Net cash provided by (used in) investing activities	

**Cash Flows From Non-Capital Financing Activities:**

Other income	150,450
Interest paid	(6,835,019)
Principal payments on bonds payable	(3,630,000)
	(10,314,569)
Net cash provided by (used in) non-capital financing activities	

**Net Increase (Decrease) in Cash and Cash Equivalents**

6,990,721

**Cash and Cash Equivalents:**

Beginning of year	27,931,002
End of year	34,921,723

**Reconciliation of Operating Income  
to Net Cash From Operating Activities:**

Operating income	5,449,754
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Amortization of bond issuance costs	126,987
Changes in operating assets and liabilities:	
Due from other lenders	(85,036)
Mortgages purchased	(769,518)
Mortgage repayments	5,957,485
Receipts from mortgage-backed securities	10,155,634
Purchase of mortgage-backed securities	(4,890,022)
Allowance of loan losses	(61,613)
Deferred revenue	(88,838)
Net adjustments	10,345,079
Net cash provided by (used in) operating activities	15,794,833

See accompanying notes to program financial statements.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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#### 1. REPORTING ENTITY The

##### Authority

The Urban Redevelopment Authority of Pittsburgh (Authority) was established in 1946 pursuant to the Pennsylvania Urban Redevelopment Law. In order to carry out its corporate purposes, the Authority has been granted the power to undertake programs to redevelop and improve blighted areas within the City of Pittsburgh. The Authority operates numerous programs in the conduct of its purpose, including the Mortgage Revenue Bond Program (Program).

These financial statements include only the financial position and results of operations for the program. These Program financial statements are not intended to present the financial position and results of operations for the Authority.

##### The Program

The purpose of the Program is to provide below-market rate mortgages for the purchase and rehabilitation of residential property within the City of Pittsburgh. Funds to finance the mortgages have been provided principally through the issuance of tax-exempt bonds. The mortgages are originated by participating lending institutions, acquired by the Program and serviced by a master servicer. The mortgage servicer issues Federal National Mortgage Association (FNMA) securities that are backed by pools of the home mortgages. The Program purchases the securities with funds that have been provided through the issuance of tax-exempt bonds. The current portfolio includes FNMA and Government National Mortgage Association (GNMA) securities.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

##### Basis of Accounting

The Program financial statements are reported using the accrual basis of accounting. Expenses are recognized in the period incurred. Revenues are recognized in the period in which they are earned.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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The Authority, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,"* follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989 and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989 to the Program financial statements.

#### Cash Equivalents

Cash equivalents are comprised of interest-bearing demand accounts with a maturity date within three months of the date acquired by the Authority.

#### Investments

Investments are limited to certain obligations as specified in the Program's Indenture of Trust (Indenture) and are stated at fair value. These obligations consist principally of obligations of the U.S. government agencies and other qualifying obligations, including bank investment agreements. Earnings on investments include interest income and all gains or losses, realized and unrealized, on the investments. In accordance with the Indenture, all interest income and net realized gains on investments are transferred to the Revenue Fund.

#### Net Assets

The Program's retained earnings are restricted by the terms of the outstanding bond indentures.

#### Issuance Costs

Bond issuance costs are amortized in such a manner that annually the sum of the amortization and the actual interest expense is equal to a constant percentage of the outstanding principal balance (effective interest method).

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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#### Allowance for Possible Loan Losses

It is the Authority's policy to provide for estimated losses on Program mortgage loans based on an evaluation of the current mortgage portfolio, economic conditions, and such other factors, which in the Authority's judgment, require consideration in estimating loan losses for the Program.

#### Installment Equity Participation Loans

The funding for the Installment Equity Participation Loans (IEPLs) has been provided through federal grants. The grants used to fund IEPLs (which require scheduled repayment terms) are recognized as non-operating revenue to the Program when the loans are funded and closed. There were no new IEPLs issued in 2004.

#### Administrative Expenses

Administrative expenses consist of certain Authority expenses allocated to the Program. The Authority may also withdraw other available funds from the Program as specified within the Indenture.

#### Federal Income Taxes

The Authority qualifies under the Internal Revenue Code as a tax-exempt organization and, therefore, any income earned by the Authority is exempt from federal income taxes. Accordingly, no federal income taxes have been provided for in the accompanying Program financial statements.

The Authority is subject to federal arbitrage regulations pursuant to the Internal Revenue Code. Management believes there was no significant arbitrage liability as of December 31, 2004.

### 3. DESCRIPTION OF FUNDS REQUIRED UNDER THE INDENTURE

As required by the Indenture, the cash and investments of the Program are restricted to various funds.

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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#### First Mortgage Loan Fund

These funds are used to purchase First Mortgage Loans from participating lending institutions.

#### Revenue Fund

This fund is used to pay principal and interest on the bonds when due. The sources of funds are loan repayments and earnings on investments, including interest income and gains or losses realized on the sale of investments.

#### Bond Reserve Fund

This fund is required to be maintained at a minimum of 10% of the outstanding principal balance of bonds, excluding escrowed bonds.

#### Mortgage Reserve Fund

This fund is used to provide funds, if any, needed to increase the balance in the Revenue Fund to an amount sufficient to pay debt service on the bonds to the extent that such amount is not first available in the First Mortgage Loan Funds or the Bond Redemption Fund.

#### Special Hazard and Loss Reserve Fund

This fund is used to provide for the payment of expenses or losses which are incurred as a result of risks not covered by a standard hazard insurance policy and miscellaneous costs related to a defaulted first mortgage loan. It may also be used to increase the balance in the Revenue Fund to meet debt service requirements.

#### Bond Redemption Fund

This fund is principally used to redeem bonds.

#### Cost of Issuance Fund

This fund is used for the payment of costs of issuance of the bonds.

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**URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH**

**MORTGAGE REVENUE BOND PROGRAM**

**NOTES TO PROGRAM FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2004

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash, cash equivalents, and investments are restricted to various funds of the Program. The total cash, cash equivalents, and investment balances of each fund as of December 31, 2004 is as follows:

First Mortgage Loan Fund	\$ 8,895,250
Revenue Fund	73,505,518
Bond Reserve Fund	15,902,802
Mortgage Reserve Fund	2,165,246
Special Hazard and Loss Reserve Fund	565,691
Bond Redemption Fund	445
Cost of Issuance Fund	22,151
	<u>\$ 101,057,103</u>

The Authority did not participate in reverse repurchase agreements in 2004. Included in the Authority's cash and cash equivalents balance as of December 31, 2004 is \$85 of deposits (carrying amount and bank balance), all of which is covered by federal depository insurance (Category 1). Cash and cash equivalents also includes \$34,921,638 that is invested in money market funds.

In accordance with the provisions of GASB Statement No. 3, *"Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,"* investments are categorized below to give an indication of the level of credit risk assumed at December 31, 2004. Category 1 includes investments that are insured or registered for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name.

Investments are recorded at fair value with the exception of investment agreements that are recorded at cost. Investments as of December 31, 2004 by security type and credit risk category are as follows:

**URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH**

MORTGAGE REVENUE BOND PROGRAM

NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

	Category 3	Uncategorized
Money market funds	\$	\$ 34,921,637
GNMA securities	8,352,739	
FNMA securities	52,946,241	
Investment agreements		1,163,843
U.S. government agency obligations	3,672,558	
Total	\$ 64,971,538	\$ 36,085,480

The money market funds cannot be categorized because they are not evidenced by securities that exist in physical or book entry form. Their fair value is the same as the value of the pool shares. All investments in any external investment pool that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania.

The investment agreements cannot be categorized as they are direct contractual investments and are not securities.

**5. MORTGAGES RECEIVABLE**

Mortgages receivable as of December 31, 2004 are summarized as follows:

First Mortgage Loans	\$ 33,031,552
Less allowance for possible loan losses	<u>(290,624)</u>
Net First Mortgage Loans	<u>32,740,928</u>
Installment Equity Participation Loans	138,668
Less allowance for possible loan losses	<u>(55,822)</u>
Net Installment Equity Participation Loans	<u>82,846</u>
Total	<u>\$ 32,823,774</u>

Funding for the purchase of IEPLs was provided through federal grants. Repayments of these loans become available to finance the Program. IEPLs were made when a

**URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH**

**MORTGAGE REVENUE BOND PROGRAM**

**NOTES TO PROGRAM FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2004**

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residential purchase by the borrower is approved and the purchase price of the property exceeds the appraised value. In the event of a sale of the mortgaged property, the unpaid principal of the IEPLs is subordinate to the First Mortgage Loan.

The First Mortgage Loans are subject to various insurance provisions if the principal balance of the loan is greater than 75% of the appraised value of the property. At December 31, 2004, a majority of the First Mortgage Loans are secured through a variety of insurers. IEPLs are not insured.

<u>Mortgages acquired through funds provided from respective bond issue</u>	Bear interest at
1979 Series A	8.500%
1980 Series A	12.000%
1982 Series A	13.500%
1983 Series A	10.375%
1983 Series C	10.875%
1984 Series A	10.875%
1986 Series A	8.375%
1987 Series A & B	8.875%
1988 Series A	8.875%
1990 Series E & F	8.400%
1991 Series A & B	7.650 and 8.500%
1991 Series G & H	7.650%
1992 Series C1 & D1	5.950 and 6.900%
1993 Series A & B	4.900%
1994 Series A	5.625 and 7.500%
1994 Series B & C	7.125 to 8.050%
1995 Series A & B	7.850 to 8.050%
1996 Series A & B	6.000 to 7.125%
1996 Series C & D	6.250 and 6.500%
1997 Series A & B	6.625 to 7.125%
1997 Series C, D, & E	4.900 to 7.125%
1998 Series A & B	4.900 to 5.875%
1999 Series C	4.980 to 6.980%
2000 Series A & B	6.500%
2001 Series A, B, & C	5.500 to 6.900%
2002 Series A & B	4.990, 5.250, and 5.750%

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

#### 6. LOAN COMMITMENTS

The Program has made commitments to purchase approximately \$2,130,124 in new loans as of December 31, 2004. The funding of these commitments is pending receipt of signed documents from the issuers and final authorization by the Authority.

#### 7. BONDS PAYABLE Bonds outstanding at December 31, 2004 are summarized as follows:

	Original Principal Amount		
	Serial Bonds	Term Bonds	Total
1992 Series D1	\$ 1,625,000	\$ 3,650,000	\$ 5,275,000
1993 Series A	11,085,000	18,395,000	29,480,000
1994 Series A	685,000	2,985,000	3,670,000
1994 Series B	1,935,000	7,130,000	9,065,000
1995 Series A	1,515,000	8,345,000	9,860,000
1996 Series A	1,850,000	6,070,000	7,920,000
1996 Series B		230,000	230,000
1996 Series C	3,590,000	6,420,000	10,010,000
1996 Series D	2,900,000	5,450,000	8,350,000
1997 Series A	2,675,000	10,195,000	12,870,000
1997 Series B		330,000	330,000
1997 Series C	1,275,000	11,305,000	12,580,000
1997 Series D		1,685,000	1,685,000
1998 Series A	2,555,000	9,660,000	12,215,000
1998 Series B	2,260,000	1,675,000	3,935,000
1999 Series A		8,735,000	8,735,000
1999 Series B	1,750,000	1,690,000	3,440,000
1999 Series C	1,740,000	12,435,000	14,175,000
1999 Series D	1,825,000		1,825,000
2000 Series A	2,045,000	13,085,000	15,130,000
2000 Series B	2,420,000	1,300,000	3,720,000
2001 Series A	1,875,000		1,875,000
2001 Series B	1,410,000	8,715,000	10,125,000
2001 Series C	3,575,000	425,000	4,000,000
2002 Series A	2,885,000		2,885,000
2002 Series B		9,115,000	9,115,000

# URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

## MORTGAGE REVENUE BOND PROGRAM

### NOTES TO PROGRAM FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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The stated interest rates/yields and principal maturity dates for the respective bonds payable at December 31, 2004 are as follows:

<u>Bond Issue</u>	<u>Interest Rates Range</u>	<u>Date Range</u>
1992 Series D1	5.800 to 6.500%	2005 to 2017
1993 Series A	5.000 to 5.650%	2005 to 2024
1994 Series A	6.100 to 6.625%	2005 to 2022
1994 Series B	6.350 to 6.950%	2005 to 2010
1995 Series A	6.400 to 7.000%	2005 to 2014
1996 Series A	5.300 to 6.050%	2005 to 2026
1996 Series B	5.700%	2010 to 2011
1996 Series C	5.700 to 6.550%	2005 to 2028
1996 Series D	5.900 to 6.250%	2007 to 2017
1997 Series A	5.400 to 6.250%	2005 to 2028
1997 Series B	5.750%	2010 to 2011
1997 Series C	5.000 to 5.950%	2005 to 2029
1997 Series D	5.600%	2010 to 2014
1998 Series A	4.300 to 5.250%	2005 to 2029
1998 Series B	4.500 to 5.150%	2008 to 2017
1999 Series A	5.150%	2020 to 2021
1999 Series B	4.550 to 5.450%	2005 to 2017
1999 Series C	4.700 to 5.700%	2005 to 2030
1999 Series D	4.900 to 5.250%	2008 to 2013
2000 Series A	5.400 to 6.400%	2005 to 2031
2000 Series B	5.550 to 6.050%	2009 to 2017
2001 Series A	4.150 to 4.950%	2009 to 2015
2001 Series B	3.500 to 5.450%	2005 to 2032
2001 Series C	3.500 to 5.300%	2005 to 2020
2002 Series A	2.200 to 4.350%	2005 to 2015
2002 Series B	5.100 to 5.200%	2015 to 2033

The bond indentures provide for retirements to be accelerated in the event of prepayments of the underlying mortgages or if funds are otherwise available as provided in the respective Indenture. The bond indentures also allow for redemption of the term bonds prior to their respective stated maturity from a mandatory sinking fund account. The following maturity schedules do not contemplate any accelerated retirements.

**URBAN REDEVELOPMENT AUTHORITY  
OF PITTSBURGH**

**MORTGAGE REVENUE BOND PROGRAM**

**NOTES TO PROGRAM FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2004**

The aggregate principal and interest maturities for the bonds payable at December 31, 2004 are as follows:

Year Ending December 31,	Principal Maturities	Interest Maturities	Total
2005	\$ 3,930,000	\$ 6,658,680	\$ 10,588,680
2006	3,780,000	6,469,768	10,249,768
2007	3,640,000	6,283,937	9,923,937
2008	4,025,000	6,103,065	10,128,065
2009	4,065,000	5,886,965	9,951,965
2010-2014	20,345,000	26,260,948	46,605,948
2015-2019	25,105,000	19,549,517	44,654,517
2020-2024	25,060,000	12,628,122	37,688,122
2025-2029	23,455,000	5,626,242	29,081,242
2030-2033	6,990,000	688,890	7,678,890
Total	\$ 120,395,000	\$ 96,156,134	\$ 216,551,134

The bonds are limited obligations of the Authority and are not a debt of the City of Pittsburgh or the Commonwealth of Pennsylvania. The Authority has no taxing power. The bonds are collateralized by a pledge of all Program revenues and monies set aside or to be held pursuant to the Indenture.

## **APPENDIX B**

### **SUMMARY OF THE INDENTURE**

The following statements are summaries of certain provisions of the Indenture. Some of these provisions, together with certain other provisions thereof, have been summarized elsewhere in this Official Statement. All such summaries are qualified by reference to the Indenture for a full and complete statement of their provisions.

### **THE INDENTURE**

#### **Certain Definitions**

"Defaulted First Mortgage Loan" means any First Mortgage Loan in default in accordance with its terms.

"Equity Participation Loan" means a loan by the Authority to a borrower to acquire, construct or rehabilitate property, the security for which is a lien on the property subordinate to the lien of a First Mortgage Loan and to the Mortgagor's original down payment on the same property.

"Escrow Payments" means all payments, if any, made to the Authority, in the event the Authority determines to service a First Mortgage Loan, in order to obtain or maintain mortgage insurance and fire and other hazard insurance including payments for any Federal, state, local or private program intended to insure or guarantee the payment of First Mortgage Loans and any payments required to be made with respect to First Mortgage Loans for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed.

"FHA Insurance" means FHA mortgage insurance issued under Sections 203, 220, 221, 234, 235 and 245 of the National Housing Act, as amended, or other FHA mortgage insurance which provides substantially similar insurance benefits.

"Fannie Mae Securities" means any securities issued by the Federal National Mortgage Association which are acquired or held by the Trustee pursuant to the Indenture.

"Freddie Mac PCs" means any securities issued by the Federal Home Loan Mortgage Corporation which are acquired or held by the Trustee pursuant to the Indenture.

"First Mortgage" means a mortgage, mortgage deed, deed of trust, or other instrument creating a first lien, subject only to title exceptions acceptable to the Authority, on a fee interest in real property located within the Program area providing that the Authority is the Mortgagee of record.

"First Mortgage Loan" means any interest-bearing obligation secured by a First Mortgage for financing residential housing which shall comply in all respects with the require may be made for the acquisition or making of a Single Family Mortgage Loan or a Qualified Rehabilitation Loan.

"GNMA Revenues" means all income, revenues, proceeds and other amounts received

by the Authority or the Trustee from or in connection with the GNMA Securities, or from any origination and servicing agreement (including prepayments of GNMA Securities resulting from home mortgage principal prepayments) and any and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture, but shall not include any amount retained by the servicer as a servicing fee or other compensation and shall not include amounts on deposit in the Non-Mortgage Investment Excess Fund.

"GNMA Security" means a custom pool, fully-modified, mortgage-backed GNMA II Security or, with the approval of the Authority, a fully-modified, mortgage-backed GNMA I Security, representing First Mortgages, issued by the servicer, registered in the name of the Trustee, guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder and backed by FHA insured First Mortgages made by the Mortgage Lenders.

"Investment Obligation" means any of the following which at the time are legal investments for fiduciaries under the laws of the Commonwealth for the moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of, or obligations the full and timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America (including any investments in pools of such obligations which are, at the time of acquisition, rated at least Aaa by Moody's and Am or Am-G by Standard & Poor's), (ii) direct and general obligations of any State within the United States or of any political subdivision of the Commonwealth, provided that at the time of purchase such obligations are rated at least AAA by Standard & Poor's and Aa2/P-1 by Moody's, (iii) obligations issued or guaranteed by any of the following (including any investments in pools of such obligations which are, at the time of acquisition, rated at least Aaa or better by Moody's and Am or Am-G by Standard & Poor's): the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Housing Administration, the Farm Credit Banks (Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives), the Federal Financing Corporation, the International Bank for Reconstruction and Development, the Federal Home Loan Banks, or any other agency or corporation which has been or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof the obligations of which are unconditionally guaranteed by the United States of America; (iv) Public Housing Bonds, Temporary Notes or Preliminary Loan Notes fully secured by contracts with the United States which are, at the time of acquisition, rated at least AAA by Standard & Poor's and Aaa by Moody's; (v) investment agreements and repurchase agreements with banks, including the Trustee, bank holding companies, insurance companies, corporations or any broker-dealer registered with the Securities and Exchange Commission with retail customers that falls under the protection of the Securities Investors Protection Corporation which either (1) have ratings assigned to their long-term unsecured obligations (or claim-paying ability in the case of an insurance company) by a nationally recognized bond rating agency supplying a rating on the Bonds which are, at the time of acquisition, at least A by Standard & Poor's and A2/P-1 by Moody's if acquired on or before March 1, 1997, or at least AAA by Standard & Poor's and A T - 1 by Moody's if acquired after March 1, 1997 (provided, however, if the term of the investment agreement or repurchase agreement is not longer than three years then such agreement may have a rating of AA-/A-1+ by Standard & Poor's and A3/P-1 by Moody's) or (2) which is secured by collateral of the type specified in (i) and (iii) above which collateral (a) is in the possession of the Trustee or a third party acting solely as agent for the Trustee, (b) is not subject to any third party claims, (c) has a market value (determined at least once every 14 days) at least equal to

the amount invested in the agreement; (d) which permits the Trustee to liquidate the collateral immediately upon failure to maintain the collateral at the required level; and (e) has been approved by Standard & Poor's and Moody's; and (vi) any money market fund or other short-term investment fund of the Trustee, the assets of which consist of Investment Obligations described in paragraphs (i) through (iii) of this definition which is, at the time of acquisition, rated at least AAA by Standard & Poor's and Aaa by Moody's.

"Mortgage-Backed Securities" means Freddie Mac PCs, Fannie Mae Securities or GNMA Securities.

"Mortgage Pool Insurance Policy" means the mortgage pool insurance policy issued by Verex Assurance, Inc. in connection with the Program or any replacement policy, provided that such replacement has an endorsement for cash advance and for attorneys fees at least as favorable as the previous policy and is in an amount, type and with the depth of coverage necessary to maintain the ratings on the Bonds, and provided, further that any insurer shall have a claims paying ability rated at least as high as the rating on Bonds maintained by Standard & Poor's Corporation and Moody's Investors Service, Inc.; provided, however, that the insurer may have a claims paying ability rated lower than the rating maintained on the Bonds by the respective rating agency, if the use of such insurer shall not adversely effect the rating on the Bonds.

"Operating Expense Requirement" means one-half the amount of expenses of the Program (which expenses shall include a rebate analyst's fee, if necessary) for a fiscal year determined from time to time by the Authority.

"Program" means the Authority's program of redevelopment in the City of Pittsburgh as implemented by the making or purchase of First Mortgage Loans under the Indenture.

"Qualified Rehabilitation Loan" means a First Mortgage Loan made to finance a "qualified rehabilitation loan" as defined in Section 143(k)(5) of the Code, which is either (a) subject to repurchase by the Mortgage Lender in the event of a default in the payment thereof or (b) part of a pool of First Mortgage Loans which are purchased by Freddie Mac, Fannie Mae or GNMA in exchange for Mortgage-Backed Securities.

"Repurchase Loan" means any Single Family Mortgage Loan or Qualified Rehabilitation Loan which is subject to repurchase pursuant to a Repurchase Agreement.

"Repurchase Agreement" means one or more letters of credit, repurchase agreements or such other security instruments or agreements, which supports the repurchase requirements of the Mortgage Lenders in connection with any Repurchase Loans, provided by an entity having a rating by Standard & Poor's Corporation and Moody's Investors Service, Inc., which is not less than the rating of all Bonds outstanding under the Indenture at the time such Repurchase Agreement is initially provided to the Trustee. Any renewal or extension of an existing Repurchase Agreement may have the ratings of the then-existing Repurchase Agreement. Any substitution of an existing Repurchase Agreement must be provided by an entity having a rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. which is not less than the ratings on all Bonds Outstanding under the Indenture at the time of substitution. The repurchase obligation of any Mortgage Lender (or related entity) whose long-term debt rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. is not less than the rating of all Bonds Outstanding under the Indenture at the time the

repurchase obligation is initially made may be evidenced solely by its repurchase obligation under the applicable Origination and Servicing Agreement.

"Revenues" means all payments, proceeds, charges, rents and all other income derived in cash by or for the account of the Authority from or related to First Mortgage Loans and Equity Participation Loans, but not including Escrow Payments, servicing fees and charges and financing, commitment or similar fees charged by the Authority at or prior to their time of making or purchasing a First Mortgage Loan or Equity Participation Loan (such Revenues include any and all Mortgage-Backed Securities and the payments, proceeds and all other income therefrom).

"Single Family Mortgage Loan" means a First Mortgage Loan made to finance residential property consisting of one to four dwellings, but shall not include any Qualified Rehabilitation Loan.

### **Pledge and Assignment**

Subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture, all of the right, title and interest of the Authority, now or hereafter acquired, in and to the following are pledged and assigned to the Trustee to secure the payment of the principal of and interest on the Bonds outstanding under the Indenture:

- (1) the First Mortgage Loans and Equity Participation Loans, including all extensions and renewals of the terms thereof, if any, together with all right, title and interest of the Authority therein, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any of the income, revenues, rents, issues and profits and other sums of money payable or receivable thereunder, whether payable as scheduled therein or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, to make claim for, collect, receive and dispose of any collateral therefor and to do any and all things which the Authority is or may be entitled to do under the First Mortgage Loans and Equity Participation Loans;
- (2) All Revenues (including all revenues from Mortgage-Backed Securities);
- (3) All GNMA Revenues, GNMA Securities and all rights, title and interest of the Authority in each origination and servicing agreement with respect thereto;
- (4) All Funds, including the investments thereof, if any, and any moneys therein (except as expressly provided in the Indenture); and
- (5) All moneys and securities from time to time held by any fiduciary under the terms of the Indenture and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture by the Authority or by anyone in its behalf, or with its written consent to the Trustee.

## **Limited Obligation to Pay Bonds**

The Bonds are limited obligations of the Authority payable solely from the sources pledged in the Indenture. The Bonds shall not be deemed to constitute an obligation of the Commonwealth or any political subdivision, including the City of Pittsburgh. All Bonds shall be entitled to the benefits of the continuing pledge and lien created by the Indenture to secure the full and final payment of the principal or redemption price of and interest on all of the Bonds and any sinking fund installments for the retirement thereof.

Neither the credit nor the taxing power of the City of Pittsburgh or of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged for the payment of the principal of or the interest on the Bonds; nor shall the Bonds be deemed obligations of the City of Pittsburgh or of said Commonwealth or of any political subdivision thereof; nor shall the City of Pittsburgh or said Commonwealth or any political subdivision thereof be liable for the payment of such principal or interest. The Authority has no taxing power.

## **Application of the First Mortgage Loan Accounts**

A First Mortgage Loan Account may be established for each Series of Bonds (other than refunding bonds) issued under the Indenture. The First Mortgage Loan Accounts shall be applied to (1) the making or purchase of First Mortgage Loans or Mortgage-Backed Securities and (2) the financing of First Mortgage Loans previously made or purchased. The Trustee shall make payments from the applicable First Mortgage Loan Account as set forth in the Indenture.

All interest and other income received from the deposit and investment of moneys in First Mortgage Loan Accounts shall be transferred by the Trustee, as received, to the Revenue Fund.

The Authority may by a certificate of an Authorized Officer direct the Trustee to transfer amounts in any First Mortgage Loan Account to the Special Redemption Account. Any amount remaining in any First Mortgage Loan Account, derived from Bond proceeds, at least three years after the issue date of the Bonds of the Series for which the Account was established, or at such earlier time as may be provided in the applicable Supplemental Indenture, shall be so transferred by the Trustee.

The Trustee shall withdraw from a First Mortgage Loan Account and transfer to the Revenue Fund such amounts at such times as are required under the provisions of the Indenture for the payment of principal installments of and interest on the Bonds, when due and payable, or are directed by a certificate of an Authorized Officer to be so transferred.

## **Program Covenants**

The Authority shall from time to time, with all practical dispatch in a sound and economical manner consistent in all respects with the Acts as then amended and in effect and with the provisions of the Indenture, use and apply the proceeds of the Bonds, to the extent not required by the Indenture for other Program purposes, to make or purchase First Mortgage Loans, shall do all such acts and things as are necessary to receive and collect Revenues and such payments for taxes, insurance and similar items as are normally escrowed by prudent mortgage servicing institutions

consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority, for the enforcement of all terms, covenants and conditions of First Mortgages and First Mortgage Loans. However, the Authority covenants that it will not take action which adversely affects the ability of the Authority to make timely payments of principal of, redemption price and interest on the Bonds.

Each First Mortgage Loan, other than a Qualified Rehabilitation Loan, shall be either (a) insured under a Mortgage Pool Insurance Policy or an FHA policy, or (b) secured by a Repurchase Agreement in an amount equal to 100% of the principal amount of such First Mortgage Loan plus 180 days interest thereon, in accordance with the terms of the Indenture, unless otherwise approved by Standard & Poor's and Moody's. In lieu of, or in addition to, complying with the foregoing sentence, the Authority may, for First Mortgage Loans either: (a) purchase Mortgage-Backed Securities backed by pools of First Mortgage Loans or (b) provide any other form of security for the Bonds which will not adversely affect the then existing rating on the Bonds and, in the opinion of Bond Counsel, will not adversely affect the tax-exempt status of interest on the Bonds issued under the Indenture. Qualified Rehabilitation Loans shall at all times either (a) be secured by the Repurchase Agreement to the extent of 100% of the principal amount of the Qualified Rehabilitation Loans plus 180 days interest thereon, unless otherwise approved by Standard & Poor's and Moody's, or (b) be part of a pool of First Mortgage Loans which are purchased by Freddie Mac, Fannie Mae or GNMA in exchange for Mortgage-Backed Securities.

The Authority shall furnish to the Trustee full information regarding First Mortgage Loans purchased or made by the Authority, identifying the name by reference to the Authority loan number the name of the borrower, the address of the applicable property, data as to recording of the First Mortgage and the assignment thereof to the Authority, the identification number of any federal or private insurance or guaranty, the principal amount due on the First Mortgage Loan as of the date it was purchased or made, the interest rate on the First Mortgage Loan and the term of the First Mortgage Loan.

The Authority reserves the right to transfer any amount from other legally available funds to the Trustee for credit to the Revenue Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any First Mortgage Loan or to advance such money to cure or avert a default on any First Mortgage Loan. The Authority shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the First Mortgage Loan, or to enforce its right to such recovery under the First Mortgage Loan, but only after all other defaults thereunder have been cured.

The Authority covenants that it will not consent to the modification of the security for or any terms or provisions of any First Mortgage Loan or First Mortgage in a manner detrimental to Bondholders.

### **Enforcement and Foreclosure of First Mortgages**

As to each Defaulted First Mortgage Loan, the Authority shall promptly furnish to the Trustee a certificate of an Authorized Officer stating the Authority loan number of the Defaulted First Mortgage Loan and the unpaid principal amount thereof. The Authority shall take or require a Mortgage Lender to take all such measures, actions and proceedings as are reasonably necessary and are deemed by it to be most effective to recover the balance due and to become due on each Defaulted

First Mortgage Loan, including the curing of the default by the Mortgagor, foreclosure of the First Mortgage, acceptance of a conveyance in lieu of foreclosure, sale of the First Mortgage, renting or selling the property, collection of any applicable mortgage insurance or guarantees, and preservation of the title to and value of the property, pending recovery of the balance of the Defaulted First Mortgage Loan.

The Authority shall not sell a First Mortgage Loan prior to default for an amount less than the outstanding principal balance. Upon foreclosure of a First Mortgage, the Authority shall bid for and purchase the property covered thereby at the foreclosure or other sale thereof and shall acquire and take possession of the property, maintaining it in place and stead of the Mortgagor, in the manner required by the terms and provisions of the First Mortgage. Upon or after foreclosure of a Defaulted First Mortgage Loan or acquisition of the property from the Mortgagor in lieu of foreclosure, unless the property is conveyed to the insurer of the Defaulted First Mortgage Loan thereon:

(1) the Authority may resell the property to any party at a price not less than the unpaid principal amount of the Defaulted First Mortgage Loan and may make a First Mortgage Loan with respect thereto as if the purchaser were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in the Indenture.

(2) the Authority may resell the property to any party at a cash price equal to the sum of (a) the then unpaid principal balance of the Defaulted First Mortgage Loan, plus (b) interest at the rate provided in the First Mortgage Loan on that principal amount from the date of sale to the earliest date on which a like amount of Outstanding Bonds may be redeemed or will mature in excess of scheduled payments of principal of the First Mortgage Loan, plus (c) any redemption premium and costs and expenses of payment of such Bonds, reduced by (d) the amount of income estimated by an Authorized Officer to be received from the investment of this sum until used for the retirement of Bonds; or

(3) if the appraised value of the property, based on such reappraisal as the Authority deems necessary, is less than the sale price required under clause (1) or (2) above, as the case may be, the property may nevertheless be sold at its appraised value.

Upon receipt of any Revenues with respect to any Defaulted First Mortgage Loan or from operation of the property subject to the First Mortgage, after foreclosure or conveyance of the property to the authority in lieu of foreclosure, in excess of the amounts needed to preserve title to and the value of the property, the Authority shall transmit such Revenues to the Trustee for deposit in the Revenue Fund.

Nothing in the Indenture shall prohibit the Authority from causing a Mortgage Lender to repurchase a First Mortgage Loan in accordance with the applicable Mortgage Purchase Agreement.

In the case of a Defaulted First Mortgage Loan which is a Repurchase Loan, in the event that the Mortgage Lender fails to repurchase such defaulted Repurchase Loan within sixty (60) days after the Repurchase Loan has been delinquent for 120 days, the Trustee (upon written notice of such delinquency given by the Authority to the Trustee not less than 5 business days prior to such 60th day) is required to draw funds under the Repurchase Agreement in an amount equal to the then outstanding principal amount of such defaulted Repurchase Loan plus an amount equal to the accrued but unpaid interest at the stated rate on the defaulted Repurchase Loan to the date of

repurchase, based upon a 360-day year. The Trustee shall deposit any funds received as a result of a repurchase into the Revenue Fund.

The Trustee shall draw all funds then available under the Repurchase Agreement before noon on the 5th day prior to the expiration or termination of the Repurchase Agreement unless the Authority shall have caused to be provided to the Trustee prior to such date a substitute Repurchase Agreement which has a term of at least one year.

### **Establishment of Funds**

In addition to the First Mortgage Loan Accounts, the Authority has established and created the following Funds and accounts which are held by the Trustee:

1. Revenue Fund (including a FNMA Securities Account and a FHLMC Securities Account therein);
2. GNMA Program Fund;
3. Interest Reserve Subaccount;
4. Bond Reserve Fund;
5. Mortgage Reserve Fund;
6. Special Hazard and Loss Reserve Fund;
7. Redemption Fund;
8. GNMA Program Expense Fund; and
9. Non-Mortgage Investment Excess Fund

### **Revenue Fund**

The Authority shall deposit into the Revenue Fund all investment earnings in excess of the requirement of the Funds and Accounts and all Revenues, including all Revenues from Mortgage-Backed Securities, all payments and other income received by the Authority from First Mortgage Loans and Equity Participation Loans, but excluding Escrow Payments, servicing fees, certain other charges of the services and commitment fees, if any, charged by the Authority. Interest and principal on the Bonds will be paid from amounts on deposit in the Revenue Fund.

A Fannie Mae Securities Account has been established within the Revenue Fund, which is held by the Trustee as a part of the Revenue Fund. The Authority may direct the Trustee to acquire Fannie Mae Securities in exchange for existing First Mortgage Loans in compliance with the provisions of the Indenture. Any Fannie Mae Securities acquired by the Trustee, together with all income, revenue, proceeds and other amounts received by the Authority or the Trustee from or in connection with the Fannie Mae Securities shall be held by the Trustee as part of the Revenue Fund and shall be included as Revenues under the Indenture. If the Trustee does not receive payment from

Fannie Mae on any Fannie Mae Securities by the twenty-sixth (26th) day of each month, the Trustee is required to contact Fannie Mae in order to obtain such payment in immediately available funds. In no event is the Trustee responsible for determining the amount that Fannie Mae is required to pay in any month.

In the event that FHLMC Securities are to be acquired, a FHLMC Securities Account will be established within the Revenue Fund, which is held by the Trustee as a part of the Revenue Fund. The Authority may direct the Trustee to acquire FHLMC Securities in exchange for existing First Mortgage Loans in compliance with the provisions of the Indenture. Any FHLMC Securities acquired by the Trustee, together with all income, revenue, proceeds and other amounts received by the Authority or the Trustee from or in connection with the FHLMC Securities shall be held by the Trustee as part of the Revenue Fund and shall be included as Revenues under the Indenture. If the Trustee does not receive payment from FHLMC on any FHLMC Securities by the twenty-sixth (26th) day of each month, the Trustee is required to contact FHLMC in order to obtain such payment in immediately available funds. In no event is the Trustee responsible for determining the amount that FHLMC is required to pay in any month.

### **GNMA Program Fund**

A fund called the "GNMA Program Fund" was established pursuant to the Fifteenth Supplemental Indenture. No proceeds of the 2006 Bonds will be deposited into this Fund or will be used to purchase GNMA Securities. This fund was established in lieu of a First Mortgage Loan Account for the 1990 Bonds. Amounts in the GNMA Program Fund were used solely for the (1) purchase of GNMA Securities, (2) payment of costs of issuance of the 1990 Bonds and (3) purchase or redemption of 1990 Bonds, all under the conditions prescribed in the Indenture. The GNMA Securities acquired by the Trustee on behalf of the Authority shall at all times be held in trust by the Trustee for the benefit of the Bondholders. All GNMA Revenues will be deposited upon receipt into the Revenue Fund.

### **Application of Revenue Fund for Payment of Principal and Interest**

The Trustee shall withdraw from the Revenue Fund, prior to each interest payment date of the Bonds, an amount equal to the unpaid interest due on the Bonds on or before such interest payment date (the "Interest Requirement"), and shall cause the same to be applied to the payment of said interest when due and is authorized by the Indenture to transmit the same to Paying Agents, who shall apply the same to such payment.

If the withdrawals required under the provisions of the preceding paragraph with respect to the same and every prior date shall have been made earlier than required, the Trustee shall withdraw from the Revenue Fund, prior to each principal installment date, an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on or before said day ("Principal Requirement") and shall cause the same to be applied to the payment of the principal of said Bonds when due and is hereby authorized to transmit the same to the Paying Agents who shall apply the same to such payment.

## Further Applications of Revenue Fund

The Trustee, as of each interest payment date and within five days thereafter and as of such other dates as directed by an Authorized Officer if on any such interest payment date or other date the amount in the Revenue Fund exceeds the Principal Requirement and Interest Requirement, shall make payments out of any excess moneys in the Revenue Fund into the following several Funds or to the Authority, but as to each fund or the Authority only within the limitation hereinbelow indicated with respect thereto and only after maximum payment is made within such limitation into every such Fund or to the Authority in the following priority:

(1) Into the Bond Reserve Fund, to the extent, if any, needed to increase the amount in the Bond Reserve Fund therein to the Bond Reserve Requirement (as hereinafter defined);

(2) Into the Mortgage Reserve Fund, to the extent, if any, needed to increase the amount therein to the Mortgage Reserve Requirement (as hereinafter defined);

(3) Into the Special Hazard and Loss Reserve Fund, to the extent, if any, needed to increase the amount therein to the Special Hazard and Loss Reserve Requirement (as hereinafter defined);

(4) Into the GNMA Program Expense Fund, the amount, if any, needed to increase the amount in such fund to the GNMA Program Expense Fund Requirement (which is defined to mean the Trustee's Fee, as described in the Fifteenth Supplemental Indenture);

(5) To the Authority, the Authority Fee;

(6) To the Authority, the Operating Expense Requirement, but only to the extent that the Authority has provided to the Trustee, Moody's Investors Service, Inc. and Standard & Poor's Corporation a cash flow certificate which demonstrates that, after such withdrawal, the assets and Revenues shall be sufficient to make all future payments of debt service on the Bonds and operating expenses of the Program;

(7) Into one or more First Mortgage Loan Accounts or to the GNMA Program Fund, as directed by a certificate of an Authorized Officer furnished to the Trustee, but only to the extent that the Authority has provided to the Trustee, Moody's Investors Service, Inc. and Standard & Poor's Corporation a cash flow certificate which demonstrates that after such transfer and assuming the projected acquisition of First Mortgage Loans or GNMA Securities, the assets and Revenues shall be sufficient to make all future payments of debt service on the Bonds;

(8) To the Redemption Fund, as directed by a certificate of an Authorized Officer furnished to the Trustee; and

(9) To the Authority, provided that at the time of such withdrawal (a) the amount of assets exceeds Outstanding Bonds by an amount equal to the greater of (x) 1% of any First Mortgage Loans not covered by a special hazard insurance policy or (y) 1% of any monies in a First Mortgage Loan Account to be applied to make or purchase First Mortgage Loans which will not be subject to a special hazard insurance policy; plus, to the extent that First Mortgage Loans are insured by FHA or monies in a First Mortgage Loan Account are to be applied to make or purchase First Mortgage Loans which are insured by FHA, an amount equal to the

FHA Coverage Requirement (as defined in the applicable supplemental indenture), unless a lesser amount is approved in writing by Standard & Poor's Corporation and Moody's Investors Service, Inc.; (b) the Authority has provided to the Trustee, Moody's Investors Service, Inc. and Standard & Poor's Corporation a certificate setting forth a cash flow certificate which demonstrates that, after such withdrawal, the assets and Revenues shall be sufficient to make all payments of debt service on the Bonds and operating expenses of the Program; and (c) the Authority shall have received written confirmation from Moody's Investors Service, Inc. and Standard & Poor's Corporation that such withdrawal will not adversely affect the then existing ratings on the Bonds.

### **Deficiencies in Revenue Fund**

With respect to the Outstanding Bonds, in the event that there are insufficient moneys in the Revenue Fund to make payments of Principal Installments of or interest on the Bonds, the Trustee, after notifying the Authority, shall make withdrawals from the Funds and Accounts in the following order of priority and deposit the same in the Revenue Fund:

- (1) Interest Reserve Subaccount of the GNMA Program Fund;
- (2) First Mortgage Loan Accounts (to the extent such moneys are not committed to the purchase of First Mortgage Loans);
- (3) Redemption Fund (to the extent such moneys are not committed to the purchase or redemption of bonds);
- (4) Mortgage Reserve Fund;
- (5) Bond Reserve Fund; and
- (6) Special Hazard and Loss Reserve Fund.

### **Application of Redemption Fund**

All moneys transferred to the Redemption Fund shall be applied, upon receipt by the Trustee of an officer's certificate determining such application, (1) to the payment of Principal Installments of and interest on Bonds on such Principal Payment Dates and Interest Payment Dates set forth in the officer's certificate, (2) to the purchasing of First Mortgage Loans by transfer to the First Mortgage Loan Account, or (3) to the purchase or the redemption of Bonds as provided in the Indenture.

Upon receipt of the officer's certificate referred to below, the Trustee shall apply moneys in the Redemption Fund to the purchase of such Bonds designated at the most advantageous price obtainable with due diligence, such price not to exceed the Redemption Price of such Bonds, applicable on the next ensuing redemption date for such Bonds.

Any Bonds to be purchased or redeemed by the Trustee from moneys in the Redemption Fund shall be purchased or redeemed by the Trustee only upon receipt by the Trustee of an officer's certificate determining or certifying the following:

- (1) The maturities from which Bonds are to be purchased or redeemed;
- (2) The principal amount of Bonds within such maturities to be purchased or redeemed; and
- (3) If any of the Bonds to be purchased or redeemed are term Bonds, the years in which sinking fund installments are to be reduced and the amount by which sinking fund installments so determined are to be reduced, provided that the aggregate of such reductions in sinking fund installments shall equal the aggregate principal amount of term Bonds to be purchased or redeemed.

No Bonds shall be purchased or redeemed unless the Authority shall have filed with the Trustee an officer's certificate showing that after such purchase or redemption the Authority shall be in compliance with certain of its Program covenants set forth in the Indenture.

Interest or other income derived from the investment or deposit of moneys in the Redemption Fund shall be transferred by the Trustee to the Revenue Fund upon receipt thereof.

### **Special Hazard and Loss Reserve Fund**

The Special Hazard and Loss Reserve Fund may be used for the following purposes:

- (1) To provide for the payment of expenses or losses which are incurred (a) as a result of risks not covered by a standard hazard insurance policy, (b) to acquire good and merchantable title to and possession of property subject to a Defaulted First Mortgage Loan as a prerequisite to making a claim for mortgage insurance, or (c) for the maintenance and preservation of the value of property subject to a Defaulted First Mortgage Loan, including but not limited to real property taxes, insurance, foreclosure fees, including appraisal and legal fees, repairs, rehabilitation, maintenance, utilities and improvements necessary for sale; and
- (2) To provide the amount, if any, needed to increase the balance in the Revenue Fund to an amount sufficient to pay any principal, sinking fund installment or interest due and payable with respect to the Bonds, to the extent that such amount is not available in the other Funds and Accounts pledged under the Indenture.

The Special Hazard and Loss Reserve Fund is required to be maintained at the Special Hazard and Loss Reserve Requirement which is in an amount equal to the greater of (i) the aggregate for all Outstanding Bonds (other than Bonds the proceeds of which are used to purchase Mortgage-Backed Securities or to make Repurchase Loans) of (a) 1% of the amount of First Mortgage Loans to be purchased with the amount initially deposited in each First Mortgage Loan Account until the first principal payment date following the tenth year after the issue date for each Series of Bonds, and (b) thereafter 1% of the initial principal amount of all First Mortgage Loans then outstanding with respect to each Series of Bonds, or (ii) \$100,000.

## **Mortgage Reserve Fund**

The amount in the Mortgage Reserve Fund may be used to provide the amount, if any, needed to increase the balance in the Revenue Fund to an amount sufficient to pay debt service on the Bonds, to the extent that such amount is not available in First Mortgage Loan Accounts and the Redemption Fund.

The Authority may not, at any time, issue Bonds, if upon the issuance of such Bonds, the amount in the Mortgage Reserve Fund will be less than the Mortgage Reserve Requirement, unless the Authority, at the time of issuance, shall deposit in such Fund an amount which, together with the amount then in such Fund, will be not less than the Mortgage Reserve Requirement. The Mortgage Reserve Requirement is equal to 1% of the principal amount of all Outstanding Bonds as of the date of calculation.

## **Bond Reserve Fund**

The amount in the Bond Reserve Fund shall be used to provide the amount, if any, necessary to increase the balance in the Revenue Fund to an amount sufficient to pay principal of and interest on the Bonds, to the extent that such amount is not available in the Interest Reserve Subaccount, the First Mortgage Loan Accounts, the Redemption Fund and the Mortgage Reserve Fund.

The Authority may not, at any time, issue Bonds, if upon the issuance of such Bonds, the amount in the Bond Reserve Fund will be less than the Bond Reserve Requirement, unless the Authority, at the time of issuance, shall deposit in such Fund an amount which, together with the amount then in such Fund, will be not less than the Bond Reserve Requirement. The Bond Reserve Requirement is equal to 10% of the principal amount of all Outstanding Bonds.

## **Events of Default**

Each of the following shall constitute an Event of Default:

(1) interest on the Bonds shall become due on any date and shall not be paid on said date, or the Principal Installments of the Bonds shall become due on any date, whether at maturity or upon call for redemption, and shall not be paid on said date; or

(2) a default shall be made in the observance or performance of any covenant, contract or other provision contained in the Bonds or the Indenture and such default shall continue for a period of ninety days after written notice to the Authority from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or

(3) there shall be filed by the Authority a petition seeking a composition of indebtedness under any applicable law or statute of the United States of America or of the Commonwealth.

## **Enforcement by Trustee**

Upon the happening and continuance of an Event of Default, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Holders of all Bonds and coupons, may proceed, and upon written request of the Holders of not less than 25% in principal amount of the Bonds then outstanding or upon the written request of the Holders of not less than 25% in principal amount of the Bonds then outstanding of the Series with respect to which such Event of Default has happened, shall proceed, to protect and enforce its rights and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the Commonwealth or under the Indenture by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant or contract contained or in aid or execution of any power granted in the Indenture or for any proper legal or equitable remedy as the trustee shall deem most effectual to protect and enforce the rights aforesaid, including the enforcement of the remedies set forth in the Act.

Except upon the occurrence and during the continuance of an Event of Default, the Authority expressly reserves and retains the privilege to receive and, subject to the terms and provisions of the Indenture, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the First Mortgage Loans and the proceeds and collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

## **Representation of Bondholders by Trustee**

The Trustee is irrevocably appointed (and the Bondholders and any holders of coupons appurtenant to the Bonds, by accepting and holding the same, shall be conclusively deemed to have so appointed the Trustee and to have mutually covenanted and agreed, each with the other, not to revoke such appointment) the true and lawful attorney-in-fact of the Bondholders and holders of coupons with power and authority, at any time in its discretion, to enforce all rights of the Bondholders and generally bring such actions, suits and proceedings as more fully described in the Indenture.

## **Investments**

Each of the Funds, on instructions confirmed in writing by an Authorized Officer, shall be invested by the Trustee in Investment Obligations, the maturity or redemption or repossession date at the option of the holder of which shall coincide as nearly as practicable with the times at which moneys in said Funds will be required for the purposes provided in the Indenture.

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

#### URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

**\$29,905,000**

**Mortgage Revenue Bonds**

**\$9,000,000 2006 Series A (AMT)**

**\$5,335,000 2006 Series B (AMT)**

**\$15,570,000 2006 Series C (NON-AMT)**

April 12, 2006

To the Purchasers of the  
Above-Described Bonds:

The Urban Redevelopment Authority of Pittsburgh (the "Authority"), located in the City of Pittsburgh, Allegheny County, Pennsylvania, is a body corporate and politic, duly created, organized and existing under the Commonwealth of Pennsylvania's Urban Redevelopment Law of 1945, as amended (35 P.S. Section 1701 *et seq.*) (the "Act"). The \$9,000,000, principal amount, of Urban Redevelopment Authority of Pittsburgh, Mortgage Revenue Bonds, 2006 Series A (AMT) (the "Series A Bonds") \$5,335,000, principal amount, of Urban Redevelopment Authority of Pittsburgh, Mortgage Revenue Bonds, 2006 Series B (AMT) (the "Series B Bonds") and \$15,570,000, principal amount, of Urban Redevelopment Authority of Pittsburgh, Mortgage Revenue Bonds, 2006 Series C (NON-AMT) (the "Series C Bonds") (the Series A Bonds, the Series B Bonds and the Series C Bonds being hereinafter collectively referred to as the "2006 Bonds") are being issued for the purpose of providing funds for the continuation of a redevelopment program (the "Program") being undertaken within the City of Pittsburgh (the "City") in accordance with the terms and conditions of a Cooperation Agreement previously entered into by the Authority and the City and providing funds to make deposits in various funds and accounts established under the Indenture (hereinafter defined). As a part of the Program, the Authority purchases pursuant to Mortgage Loan Purchase, Origination and Servicing Agreements and Mortgage Loan Origination, Sale and Servicing Agreements (collectively, the "Mortgage Purchase Agreements") first mortgage loans ("First Mortgage Loans") originated by various lending institutions and pass through mortgage-backed securities (the "Securities") guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association and/or the Federal Home Loan Mortgage Corporation and backed by First Mortgage Loans.

The Program will be administered pursuant to the Mortgage Purchase Agreements. Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), establishes requirements which must be met subsequent to the issuance of the 2006 Bonds in order for interest on the 2006 Bonds to be excluded from gross income for purposes of federal income taxation. The Authority has covenanted that it will comply with all such requirements and that it will do all things

necessary to ensure that interest on the 2006 Bonds will be excluded from gross income for purposes of federal income taxation.

The 2006 Bonds are being issued under and pursuant to the Act and an Indenture of Trust, dated as of October 1, 1979, as supplemented (herein collectively the "Indenture") between the Authority and J.P. Morgan Trust Company, National Association (successor by merger to Chase Manhattan Trust Company, National Association, successor to PNC Bank, National Association), as Trustee (the "Trustee"). The 2006 Bonds are dated, bear interest, mature and are subject to redemption as set forth in the Thirty-Fourth Supplemental Trust Indenture dated as of April 1, 2006.

The 2006 Bonds, together with all other bonds which have been or may hereafter be issued under the Indenture, are payable out of the revenues of the Authority derived or to be derived from, or in connection with, the Program as set forth in the Indenture. Additional series of bonds may be issued by the Authority upon compliance by the Authority with the terms and provisions set forth in the Indenture. Under the provisions of the Indenture, all bonds of the Authority issued under the Indenture shall rank equally as to security and shall be on a parity.

Neither the credit nor the taxing power of the City, the County of Allegheny, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the principal, interest or premium, if any, on the 2006 Bonds; nor shall the 2006 Bonds be deemed to be obligations of said City, County or Commonwealth or any political subdivision thereof; nor shall said City, County or Commonwealth or any political subdivision thereof be liable for the payment of the principal or interest or premium, if any, on the 2006 Bonds. The Authority has no taxing power.

The principal and premium, if any, on the 2006 Bonds are payable at the designated corporate trust office of the Trustee and the interest on the 2006 Bonds will be paid by check or draft mailed by the Trustee to the registered owner thereof.

In the course of the performance of our duties as Bond Counsel, we have examined the Indenture and such other documents, opinions, records, orders, notices, certificates, statutes, ordinances, resolutions and decisions as we have deemed necessary to enable us to furnish this opinion. On the basis of the foregoing, in connection with the issuance of the 2006 Bonds, we are of the opinion, as of the date hereof and under existing law, that:

1. The Authority has been duly incorporated and is a validly existing authority in good standing under the laws of the Commonwealth of Pennsylvania.
2. The Authority has and at all relevant times has had corporate power to undertake the Program and the purchase of First Mortgage Loans and Securities in the manner provided in the Indenture and the Mortgage Purchase Agreements.
3. The proceedings of the Authority relating to the issuance of the 2006 Bonds show lawful authority for said issuance under the laws of the Commonwealth of Pennsylvania in force on the date hereof and the Indenture and the 2006 Bonds have been duly authorized, executed, delivered and authenticated and constitute the valid, legal and binding obligations of the Authority enforceable in accordance with their terms.
4. The 2006 Bonds and the interest thereon are limited obligations of the Authority payable solely from the moneys pledged therefor under the Indenture and constitute a valid claim of the respective owners thereof against such moneys and other amounts so derived,

subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

5. Under present statutes and decisions, the 2006 Bonds are exempt from taxation within the Commonwealth of Pennsylvania, except for gift, estate, succession or inheritance taxes, or any other taxes not levied or assessed directly on the 2006 Bonds, the transfer thereof, the income therefrom or any profits made on the sale thereof.

6. The 2006 Bonds are exempt from registration under the provisions of the Securities Act of 1933, as amended; the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended; and any consent or approval of any public regulatory body of the Commonwealth required in connection with the issuance of the 2006 Bonds has been obtained.

7. Interest on the 2006 Bonds is excluded from gross income for federal income tax purposes. This exemption may be lost if the Authority fails to comply with certain of the provisions and covenants contained in the Indenture and the Mortgage Purchase Agreements.

Interest on the Series A Bonds and the Series B Bonds is an item of tax preference within the meaning of Section 57(a)(5) of the Code for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations. Interest on the Series C Bonds is not an item of preference within the meaning of Section 57 of the Code for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

We express no opinion regarding other federal tax consequences arising with respect to the 2006 Bonds.

8. The rights of the owners of the 2006 Bonds and the enforceability of the 2006 Bonds, the Indenture and the Mortgage Purchase Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and such enforceability may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

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## APPENDIX D

### SUMMARY OF INSURANCE PROGRAMS AND FANNIE MAE, GNMA AND FREDDIE MAC GUARANTY PROGRAMS

The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of FHA and VA, the Fannie Mae Guides, the Fannie Mae Certificates, the GNMA Guides and the GNMA Certificates, the Freddie Mac Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, Freddie Mac Information Statement, any Information statement Supplements, and other documents referred to herein and of the regulations, master insurance contracts and other such information of the various Private Mortgage Insurers and providers of hazard insurance. First Mortgage Loans financed or purchased by the Authority are limited by the Indenture to the following programs or to programs which provide substantially similar insurance benefits.

#### **Insurance of First Mortgage Loans**

##### Primary Insurance

###### *Federal Housing Administration Mortgage Insurance*

The National Housing Act of 1934, as amended, authorizes various FHA mortgage insurance programs, which differ in some respects, primarily depending upon whether the mortgaged premises contain five or more dwelling units or less than five such units and whether the premises are designed for occupancy by low and moderate income families.

Under the Section 203(b) program, which is the most widely used FHA insurance program, FHA insures mortgage loans of up to thirty-five years' duration for the purchase of one-to-four family dwelling units. The Authority also expects to utilize the Section 221(d)(2) FHA insurance program to insure First Mortgage Loans.

The regulations governing all of the FHA programs under which the Authority's First Mortgage Loans may be insured provide that insurance benefits are payable either upon foreclosure (or other acquisition in lieu thereof) and conveyance of the mortgaged premises to HUD (the method expected to be used by the Authority on all FHA insured defaulted First Mortgage Loans) or upon assignment of the defaulted mortgage loan to HLTD. Assignment of a defaulted loan to HLTD is no longer permitted other than for those requests made prior to April 26, 1996.

Under some of the FHA insurance programs, insurance claims are paid by HLTD in cash, unless the mortgage holder specifically requests payment in debentures issued by HLTD. Under others, HLTD has the option, at its discretion, to pay insurance claims in cash or in such debentures. The current HLTD policy, subject to change at any time, is to make insurance payments on single-family mortgage loans in cash with respect to all programs covering such units as to which it has discretion to determine the form of insurance payment.

Should HUD debentures be issued in satisfaction of FHA insurance claims, they will bear interest from the date of issue, payable semiannually on January 1 and July 1 of each year at the rate in effect as of the day the FHA commitment was issued, or as of the date of the initial insurance endorsement of the mortgage loan, whichever rate is higher. The HLTD debenture interest rates applicable to FHA insured mortgages that the Authority has acquired or committed to acquire may be lower than the interest rates of such mortgages.

When entitlement to insurance benefits results from foreclosure (or other acquisition of possession) and conveyance, the insurance payment is computed as of the date of default by the mortgagor, which, under HUD regulations, will occur no less than sixty days after the due date of the last mortgage payment made, and the mortgage holder generally is not compensated for mortgage interest accrued and unpaid prior to that date. Under such circumstances, the amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the mortgage loan, adjusted to reimburse the mortgagee for certain tax, insurance and similar payments made by it and to deduct certain amounts received or retained by the mortgagee after default, plus reimbursement not to exceed 2/3 of the mortgagee's foreclosure costs. When entitlement to insurance benefits results, from assignment of the mortgage loan to HUD, the insurance payment is computed as of the date of the assignment and includes full compensation for mortgage interest accrued and unpaid to the assignment date. The regulations under all insurance programs described above provide that the insurance payment itself shall bear interest from the date of default, or where applicable, the date of assignment, to the date of payment of the claim at the same interest rate as the applicable HUD debenture interest rate determined in the manner set forth above.

When any property to be conveyed to HUD or subject to a mortgage to be assigned to HUD has been damaged by fire, earthquake, flood or tornado, it is required, as a condition to payment of an insurance claim, that such property be repaired by the mortgage holder prior to such conveyance or assignment.

To obtain title to and possession of the property upon foreclosure, the Authority will pursue its rights under the power of sale contained in the mortgage, subject to the constraints imposed by applicable State law (discussed below) and by HUD. The HLTD constraints require that absent the consent of the mortgagor, at least three full monthly installments be due and unpaid under the mortgage before the mortgagee may initiate any action leading to foreclosure of the mortgage. A face-to-face conference between the mortgagee and the mortgagor must occur in an effort to cure the delinquency without foreclosure. In any case, where the mortgagor has voluntarily abandoned the mortgaged property, the mortgagee may initiate foreclosure without adhering to the procedures for assignment.

#### *Veterans Administration Guaranty Program*

The Serviceman's Readjustment Act of 1944, as amended, permits a veteran (or, in certain instances, his or her spouse) to obtain a mortgage loan guaranty by VA, covering mortgage financing of the purchase of a one-to-four family dwelling unit at interest rates permitted by VA. The program has no mortgage loan limits, requires no down-payment from the purchaser and permits the guaranty of mortgage loans with terms of up to 30 years and one month. The maximum guaranty that may be issued by VA under this program is the lesser of 60% of the original principal amount of the mortgage loan or \$27,500. The liability on the guaranty is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness, but in no event will the

amount payable on the guaranty exceed the amount of the original guaranty. Notwithstanding the dollar and percentage limitations of the guaranty, a mortgage holder will ordinarily suffer a monetary loss only where the difference between the unsatisfied indebtedness and the proceeds of a foreclosure sale of mortgaged premises is greater than the original guaranty, as adjusted. VA may, at its option and without regard to the guaranty, make full payment to a mortgage holder of unsatisfied indebtedness on a mortgage upon its assignment to VA. The VA has proposed changes in its home loan guarantee regulations which would require a mortgagee, under certain narrow circumstances, to accept a partial payment on a loan that is more than 30 days overdue.

### *Private Mortgage Insurance Policies*

For First Mortgage Loans with a loan-to-value ratio greater than 75% and which are not insured by FHA or guaranteed by VA or subject to a Repurchase Agreement, a private mortgage insurance policy issued by a Private Mortgage Insurer will be required in an amount so that the uninsured portion of such First Mortgage Loan does not exceed 75% of the lesser of the purchase price or the initial appraised value of such property, which private mortgage insurance policy is to be maintained until the remaining principal amount of the First Mortgage Loan is less than 75% of such loan-to-value ratio. Each Private Mortgage Insurer insuring such First Mortgage Loans must be qualified to insure mortgages purchased by FHLMC. FHLMC requires approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Private mortgage insurance policies with respect to First Mortgage Loans presently contain provisions substantially as follows: (1) the Private Mortgage Insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within sixty days of presentation of the claim by the Mortgage Lender; (2) for a Mortgage Lender to present a claim, the Mortgage Lender must have acquired and tendered to the Private Mortgage Insurer merchantable title to the property, free and clear of all liens and encumbrances, including any right of redemption by the Mortgagor; and (3) when a claim is presented, the Private Mortgage Insurer will have the option of paying the claim in full, taking title to the property and arranging for its sale, or of paying the insured percentage of the claim (generally 20% or 25%, depending on the coverage purchased by the Mortgage Lender) and allowing the insured Mortgage Lender to retain title to the property and assume responsibility for the sale of the property.

### Additional Insurance

#### *Mortgage Pool Insurance Policy*

In the event proceeds of a series of Bonds are intended to purchase First Mortgage Loans insured with Private Mortgage Insurance or guaranteed by VA, a Mortgage Pool Insurance Policy must be obtained. The Policy will provide insurance coverage on the full amount of any loss realized as a result of default in payments or certain non-monetary defaults by a mortgagor on every First Mortgage Loan foreclosed (after payment by VA or the Private Mortgage Insurer, if any), subject to a limitation on aggregate net losses of 15% of the original principal amount of all the First Mortgage Loans. The policy will cover all First Mortgage Loans purchased by the Authority under the Program other than those to be insured by FHA, subject to a Repurchase Agreement. The Authority has agreed in the Indenture to use its best efforts to maintain the Mortgage Pool Insurance Policy with a qualified insurer in the amount of the initial coverage once such policy is obtained.

Under the standard Mortgage Pool Insurance Policy, it is a condition to payment of a claim on any First Mortgage Loan that the insured on the policy advance hazard insurance premiums and, as necessary, real estate taxes, property sales expenses and foreclosure costs (including court costs and reasonable attorneys' fees). In the event of default by the mortgagor, if there is any physical loss or damage to the property from any cause, whether by accidental means or otherwise, it is a condition to payment of a claim on the First Mortgage Loan that the insured on the policy restore the property to its condition at the time of the issuance of the policy (reasonable wear and tear excepted). Therefore, the policy does not provide coverage against hazard loss.

A Mortgage Pool Insurance Policy generally provides that no claim may validly be presented thereunder unless (1) premiums on hazard insurance on the property securing the defaulted First Mortgage Loan have been paid and other foreclosure, protection and preservation expenses have been paid and (2) if there has been physical loss or damage to the mortgaged property, it has been restored to its condition at the time the First Mortgage Loan was made, subject to reasonable wear and tear. Assuming the satisfaction of these conditions, the insurer has the option, after expiration of any applicable redemption period, to either (1) purchase the property securing the defaulted First Mortgage Loan at a price equal to the principal balance thereof plus accrued and unpaid interest at the mortgage rate to the date of purchase and certain expenses on condition that the insurer must be provided with good and merchantable title to the mortgaged property (unless the property has been conveyed pursuant to the terms of the applicable VA guaranty or Private Mortgage Insurer) or (2) pay the amount by which the sum of the principal balance of the defaulted First Mortgage Loan plus accrued and unpaid interest at the mortgage rate to the date of the payment of the claim plus certain expenses exceeds the proceeds received from a sale of the property which the insurer of the Mortgage Pool Insurance Policy has approved. The policy defines an "approved sale" as (1) a sale of property acquired by the Authority to a third party because of a default by the mortgagor and to which the Mortgage Pool Insurance Policy provider has given prior approval or (2) a foreclosure or trustee's sale of a property to a third party at a price exceeding the maximum amount specified by the Mortgage Pool Insurance Policy provider to be bid by the Authority. In both (1) and (2) the amount of payment is reduced by the amount of loss paid under the applicable VA guaranty or mortgage insurance policy.

#### *Standard Hazard Insurance Policies*

For each First Mortgage Loan, the mortgagor will maintain fire insurance with extended coverage on the mortgage property (a "Standard Hazard Insurance Policy") in an amount which is not less than the maximum insurable value of the property or the principal balance owing on the First Mortgage Loan, whichever is less. Such insurance shall be with insurers approved by Fannie Mae or FHLMC.

In general, a standard form of fire and extended coverage policy covers physical damage to or destruction of the improvements on the property by fire, lightning, explosion, smoke, windstorm, hail, riot, strike and civil commotion, subject to the conditions and exclusions particularized in each policy.

Although policies relating to different First Mortgage Loans may be issued by different insurance companies and, therefore, may have minor differences in coverage, the basic terms are dictated by Pennsylvania law. Policies typically exclude physical damage resulting from the following: war, revolution, governmental actions, floods and other water-related causes, earth

movement (including earthquakes, landslides and mudflows), nuclear reactions, wet or dry rot, vermin, rodents, insects or domestic animals, theft and, in certain cases, vandalism. Where property is located in a designated flood area, flood insurance will be required to the extent available.

In lieu of Standard Hazard Insurance Policy, each mortgage lender acting as a servicer may maintain and keep a mortgagee single interest hazard insurance policy throughout the terms of the Origination Agreement. The mortgagee single interest hazard insurance policy provides insurance against losses sustained by a mortgage lender or other insureds in the event the mortgagor fails to maintain a Standard Hazard Insurance Policy and physical damage occurs. Each mortgage lender agrees to pay the premium of the mortgagee single interest hazard insurance policy on the basis prescribed by the policy.

#### Defaults, Foreclosures and State Law Considerations

If a First Mortgage Loan is in default, the Indenture requires that the Authority take or require a Mortgage Lender to take all steps, actions and proceedings reasonably necessary to recover the balance due and to become due on such First Mortgage Loan, including the curing of the default by the mortgagor, the sale of the First Mortgage Loan and under certain conditions, foreclosure, acceptance of the applicable premises in lieu of foreclosure, and the collection of any insurance or guarantees applicable to the First Mortgage Loan. To the extent expenses are necessarily incurred or to be incurred, the Authority may withdraw necessary moneys from the Special Hazard and Loss Reserve Fund.

Mortgage foreclosures in the Commonwealth are governed by statute, and foreclosure procedure is prescribed by the Pennsylvania Rules of Civil Procedure promulgated by the Supreme Court of Pennsylvania. Foreclosures in the case of mortgages in an amount under \$50,000 and secured by property of one or two living units are affected by statutory provisions which impose certain additional restrictions on the foreclosure process. The Pennsylvania Homeowners Emergency Assistance Program (Act 91 of 1983) requires that before foreclosure proceedings may be instituted, homeowners must be permitted to apply to the Commonwealth for emergency assistance in making mortgage payments.

An action may be brought in mortgage foreclosure, against the mortgagor personally on the underlying debt obligation or under other procedures of limited application. Prosecution of an action in making foreclosure does not bar a simultaneous action based upon the underlying obligation. A mortgage foreclosure action is generally the simplest and most efficient procedure to use.

There is no quick and summary mortgage foreclosure procedure. The mortgage foreclosure action is begun by serving a copy of a complaint in mortgage foreclosure on the real-owner of the property, or, if he is unknown, the grantee of a last recorded deed, and upon any actual possessors of the land. Also, unless the mortgagee expressly relieves the mortgagor of any personal liability, the mortgagor, or if he is deceased, his personal representative, heir or devisee, if known, must be served. Service is made by personally delivering a copy of the complaint to each person or, if this cannot be done, by mailing a copy to his last known address and posting a copy on the land itself. An answer may be filed by the defendants if there are any defenses to the foreclosure such as tender of payment or a dispute on the amount owing. Otherwise, a judgment of foreclosure may be entered by default after twenty days have elapsed following service of the complaint. The only

effect of judgment in foreclosure is that the land may then be sold at a sheriff's sale, unless the mortgagor tenders full payment of the amount owing on the mortgage plus certain expenses.

After judgment of foreclosure, the mortgagee must direct the sheriff to make the sale. The sheriff must advertise the date of the sale in a newspaper of general circulation for three successive weeks before the sale. Sheriff's sales are held only at certain times during the year. The sale may be stayed if the property is immune or exempt from sale, if there is a right to a stay under any act of the United States Congress or of the General Assembly of the Commonwealth of Pennsylvania, or upon court order based upon some flaw in the foreclosure proceeding.

If the proceeds of the sale are insufficient to extinguish the debt, the deficiency proceedings must be begun within six months and the fair market value of the foreclosed property must be determined in this proceeding. Additionally, if the original action was one of foreclosure only, the deficiency proceedings must be an action showing personal liability on the part of the mortgagor.

For mortgages within the provisions of the aforesaid statutory procedure, the foregoing applies with two additional restrictions. Before the mortgagee may accelerate the maturity of the obligation after a default, it must mail a letter to the mortgagor informing him of his rights. One of these is the mortgagor's right to cure the default upon payment of all sums overdue together with reasonable costs of foreclosure proceedings already begun and any reasonable late fees provided for or by the mortgage note. The mortgagor may so cure his default at any time up to one hour prior to the sheriff's sale and may do so up to three times a year. No proceedings may be begun until at least thirty days after the letter is sent.

### **Federal National Mortgage Association 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.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into a stockholder-owned and privately managed corporation by legislation enacted in 1968. The Secretary of Housing and Urban Development exercises general regulatory power over Fannie Mae.

Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

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 to assist Fannie Mae in any manner.

Fannie Mae has implemented a mortgage-backed securities program (the "Fannie Mae MBS Program") pursuant to which Fannie Mae issues securities backed by pools of mortgage loans. The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

The terms of the Fannie Mae MBS Program are governed by the Fannie Mae Guides, as modified by the Pool Purchase Contract, and, in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool. The Fannie Mae MBS Program is further described in a prospectus issued by Fannie Mae (the "Fannie Mae Prospectus"). The most recent Fannie Mae Prospectus is dated January 1, 1997 and is updated from time to time.

Copies of the Fannie Mae Prospectus and Fannie Mae's most recent annual and quarterly reports and proxy statement are available without charge from Federal National Mortgage Association, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (telephone: (202) 752-6724).

#### Pool Purchase Contract

A servicer would enter into a Pool Purchase Contract, pursuant to which such servicer would be permitted to deliver, and Fannie Mae would agree to purchase, First Mortgage Loans in exchange for Fannie Mae Certificates (the "Pool Purchase Contract"). The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of First Mortgage Loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the servicer as of the date hereof.

Under the Pool Purchase Contract, Fannie Mae will purchase First Mortgage Loans eligible under the guidelines set forth in the Fannie Mae Guides and the Pool Purchase Contract.

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

#### Fannie Mae Certificates

Each Fannie Mae Certificate will represent the entire interest in a specified pool of First Mortgage Loans purchased by Fannie Mae from the servicer and identified in records maintained by Fannie Mae. It is anticipated that the Pool Purchase Contract will require that each Fannie Mae Certificate be in a minimum amount of \$250,000. The difference between the interest rate on the First Mortgage Loans and the resulting rate on each Fannie Mae Certificate (the "Pass-Through Rate") will be collected by the servicer and used to pay such the servicer's servicing fee and the Fannie Mae's guaranty fee.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable Pass-Through Rate on the First Mortgage Loans in the pools represented by such Fannie Mae Certificates, whether

or not received, and the full principal balance of any foreclosed or other finally liquidated First 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 of America. If Fannie Mae were unable to satisfy such obligations, distributions to the registered holder of Fannie Mae Certificates would consist solely of payments and other recoveries on the underlying First Mortgage Loans and, accordingly, monthly distributions to the holder of Fannie Mae Certificates would be affected by delinquent payments and defaults on such First Mortgage Loans.

#### Payments on First Mortgage Loans-Distributions on Fannie Mae Certificates

Payments on a Fannie Mae Certificate will be made to the owner thereof on the twenty-fifth day of each month (beginning with the month following the month such Fannie Mae Certificate is issued) or, if such twenty-fifth day is not a Business Day, on the first Business Day next succeeding such twenty-fifth day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the First Mortgage Loans in the related pool underlying such Fannie Mae Certificate 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, (ii) the stated principal balance of any First Mortgage Loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose any First Mortgage Loan repurchased by Fannie Mae because of Fannie Mae's election to repurchase the First 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 First Mortgage Loan under certain other circumstances as permitted by the Indenture), (iii) the amount of any partial prepayment of a First Mortgage Loan received in the second month next preceding the month of distribution and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Certificate as reported to the Trustee in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Certificate on its issue date).

For purposes of distributions, a First 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 First Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the First 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.

#### **Government National Mortgage Association Program**

GNMA is a nonstock 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 is authorized by subsection 306(g) of Title III of the National Housing Act of 1934, as amended (the "National Housing Act"), to guarantee the timely payment of the principal of, and interest on, certificates which represent an undivided interest in a pool of mortgage loans insured by FHA under the National Housing Act, guaranteed under Title V of the Housing Act of 1949, or

guaranteed by VA under Chapter 37 of Title 38, United States Code. Subsection 306(g) further provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion dated December 9, 1969 of an Assistant Attorney General of the United States states that such guarantees under subsection 306(g) of the mortgage-backed certificates of the type being delivered to the Trustee on behalf of the Authority are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

### GNMA Commitments

In order to cause the issuance of GNMA Certificates, a servicer must first apply to, and receive from, GNMA commitments to guarantee securities (the "GNMA Commitments"). A GNMA Commitment authorizes the servicer to issue GNMA Certificates up to an amount specified in the GNMA Commitment during a one-year period from the date of the GNMA Commitment. The servicer is required to advance the application fee to GNMA for such GNMA Commitments.

The amount of GNMA Commitments 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 GNMA 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 requests for GNMA Commitments with respect to some or all of the First 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.

### GNMA Certificates

Each GNMA Certificate will be a "fully modified pass-through security" which will require the servicer to pass through to the Trustee the regular monthly payments on the underlying First Mortgage Loans (except in the month of purchase of each GNMA Certificate and less certain servicing and GNMA guaranty fees), whether or not the servicer receives such payments on the underlying First Mortgage Loans, plus any prepayments and liquidation proceeds in the event of a foreclosure or other disposition of any First Mortgage Loan received by the servicer during the previous month. The servicer will make monthly payments directly to the Trustee, as holder of the GNMA Certificates, on the fifteenth day of each month with respect to GNMA Certificates that are GNMA I Mortgage Pass-Through Certificates, and Chemical Bank, as paying agent for GNMA, will make monthly payments to the Trustee on the third Business Day following the twentieth day of each month with respect to GNMA Certificates that are GNMA II Mortgage Pass-Through Certificates in accordance with GNMA requirements and as provided in the Indenture. Upon the Trustee's purchase of GNMA Certificates, GNMA will guarantee to the Trustee as holder of the GNMA Certificates the timely payment of principal of and interest on the GNMA Certificates. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under subsection 306(d) of Title III of the National Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Certificate. 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.

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

In the event Bond proceeds are to be used to purchase GNMA Securities, the servicer will package First Mortgage Loans which are insured by FHA or guaranteed by VA into GNMA Pools for the purpose of issuing GNMA Certificates, and the Trustee will purchase the GNMA Certificates from funds on deposit under the Indenture. Each GNMA Certificate will be backed by a GNMA Pool consisting entirely of level-payment First Mortgage Loans with the same interest rate, in a total minimum principal amount of \$500,000 with respect to the GNMA II Certificates and in a total minimum principal amount of \$1,000,000 with respect to the GNMA I Certificates or, in each case, such lesser amounts as authorized by GNMA. The total principal amount of any issue of GNMA Certificates will not exceed the aggregate unpaid principal balance of the First Mortgage Loans in the GNMA Pool backing such issue.

#### Servicing of the Mortgage Loans Related to GNMA Certificates

Under contractual arrangements to be made between the servicer and GNMA, and pursuant to a servicing agreement, the servicer will be responsible for servicing the First Mortgage Loans backing GNMA Certificates issued by the servicer in accordance with FHA or VA regulations, as applicable, and GNMA regulations.

The monthly remuneration of the servicer for its servicing functions, and the guaranty fee charged by GNMA, is based on the unpaid principal amount of the GNMA Certificates outstanding. In compliance with GNMA regulations and policies, the total of the servicing and guaranty fees equals 0.50% per annum calculated on the principal balance of each First Mortgage Loan outstanding on the last day of the month preceding the date of such calculation. Each GNMA Certificate carries an interest rate that is fixed at 0.50% per annum below the interest rate on the First Mortgage Loans because the servicing and guaranty fee is deducted from payments on the First Mortgage Loans before payments are passed through to the Trustee.

It is expected that interest and principal payments on the First Mortgage Loans received by the servicer will be the source of money for payments on the related GNMA Certificates. If such payments are less than the amount then due, the servicer is obligated to advance its own funds to ensure timely payment of all scheduled payments on the GNMA Certificates. GNMA guarantees such timely payment in the event of the failure of the servicer to pass through an amount equal to the scheduled payments (whether or not made by the mortgagors).

The GNMA Guaranty set forth on the GNMA Certificates pursuant to which GNMA has agreed to guarantee the timely payment of the GNMA Certificates will provide that, in the event of a default by the servicer, including (i) a request to GNMA to make a payment of principal of or interest on a GNMA Certificate when the mortgagor is not in default under the mortgage note, (ii)

insolvency of the servicer, or (iii) default by the servicer under any other guaranty agreement with GNMA, GNMA will have the right, by letter to the servicer, to effect and complete the extinguishment of the servicer's interest in the related First Mortgage Loans, and the related Mortgage First Loans will thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the 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 and expire. In accordance with the GNMA Guide, the authority and power of the servicer under the terms of the GNMA Guide will be required to pass to and be vested in GNMA, and GNMA will be the successor in all respects to the servicer in its capacity as servicer and will be subject to all duties placed on the servicer by the GNMA Guide. At any time, GNMA may enter into an agreement with an institution approved by GNMA under which such institution undertakes and agrees to assume any part or all of such duties, and no such agreement will detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor.

#### Payment of Principal of and Interest on the GNMA Certificates

Regular monthly installment payments on each GNMA Certificate are required to begin on the forty-fifth day (the fiftieth day with respect to GNMA II Certificates) 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 fees of 0.50% per annum of the outstanding principal balance of the GNMA Certificate. In addition, each payment is required to include any prepayments and liquidation proceeds in the event of a foreclosure or other disposition of any First Mortgage Loan received during the month prior to the month on which such payment occurs.

### **The Freddie Mac Mortgage Participation Program**

General. The following summary of the Freddie Mac Guarantor Program, the Freddie Mac PCs and Freddie Mac's mortgage purchase and servicing standards does not purport to be complete and is qualified in its entirety by reference to Freddie Mac's Mortgage Participation Certificates Offering Circular, any applicable Offering Circular Supplements, Freddie Mac's Information Statement, any Information Statement Supplements, and any other documents made available by Freddie Mac. Copies of these documents can be obtained by writing or calling Investor Inquiry at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (800-336-FMPC). Information on Freddie Mac and its financial condition is contained in Freddie Mac's 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 on the SEC's website at [www.sec.gov](http://www.sec.gov). The SEC filings are also available on Freddie Mac's website at [www.freddiemac.com](http://www.freddiemac.com). The Authority takes no responsibility for information contained on the websites.

The Authority does not and will not participate in the preparation of Freddie Mac's Mortgage Participation Certificates Offering Circular, Information Statement or Supplements.

Freddie Mac. Freddie Mac 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 "Freddie Mac Act"). Freddie Mac'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 underserved 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 Freddie Mac.

Freddie Mac Guarantor Program. Freddie Mac has established a mortgage purchase program pursuant to which Freddie Mac purchases a group of mortgages from a single seller in exchange for a Freddie Mac PC representing an undivided interest in a pool consisting of the same mortgages (the “Guarantor Program”). Freddie Mac 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 servicers are HUD-approved mortgagees or FDIC-insured financial institutions.

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

Payments on Freddie Mac PCs begin on or about the fifteenth day of the first month following issuance. Each month, Freddie Mac passes through to record holders of Freddie Mac PCs 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 a Freddie Mac PC is determined by subtracting from the lowest interest rate on any of the mortgages in the pool the applicable servicing fee and Freddie Mac’s management and guarantee fee, if any. The interest rates on the mortgages in a pool formed under Freddie Mac’s Guarantor Program must fall within a range from the pass-through rate on the Freddie Mac PC plus the minimum required servicing fee through the pass-through rate plus 250 basis points.

Freddie Mac guarantees to each holder of a Freddie Mac PC, on each monthly payment date, its proportionate share of scheduled principal payments on the related mortgages, and interest at the applicable pass-through rate, in each case, whether or not received. The full and final payment on each Freddie Mac PC will be made no later than the payment date that occurs in the month in which the last monthly payment on the Freddie Mac PC is scheduled to be made.

The obligations of Freddie Mac under its guarantees of the Freddie Mac PCs are obligations of Freddie Mac only. The Freddie Mac PCs, 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 Freddie Mac. If Freddie Mac were unable to satisfy its obligations under its guarantees, distributions on the Freddie Mac PCs would consist solely of

payments and other recoveries on the related mortgages; accordingly, delinquencies and defaults on the mortgages would affect distributions on the Freddie Mac PCs and could adversely affect payments on the Bonds.

Mortgage Purchase and Servicing Standards. All mortgages purchased by Freddie Mac must meet certain standards established by the Freddie Mac Act. In addition, Freddie Mac has established its own set of mortgage purchase standards, including credit, appraisal and underwriting guidelines (the “Freddie Mac Guide”). These guidelines are designed to determine the value of the real property securing a mortgage and the creditworthiness of the borrower. Freddie Mac’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.

Freddie Mac 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 Freddie Mac; administration of escrow accounts; collection of insurance or guaranty claims; property inspections; and, if necessary, foreclosure. Freddie Mac monitors servicers’ performance through periodic and special reports and inspections.

In the event of an existing or impending delinquency or other default on a mortgage, Freddie Mac 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, Freddie Mac seeks to minimize the costs that may be incurred in servicing the mortgage, as well as Freddie Mac’s possible exposure under its guarantees. However, the measures that Freddie Mac may choose to pursue to resolve a default will not affect Freddie Mac’s guarantees. Freddie Mac 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.

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**APPENDIX E**  
**FORM OF**  
**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (this "Certificate"), is executed and delivered by the Urban Redevelopment Authority of Pittsburgh (the "Issuer") in connection with the issuance of the Urban Redevelopment Authority of Pittsburgh Mortgage Revenue Bonds, 2006 Series A (AMT), the 2006 Series B (AMT) and 2006 Series C (NON-AMT) (collectively, the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of October 1, 1979, as amended and supplemented (the "Indenture"), by and between the Issuer and J.P. Morgan Trust Company, National Association (the "Trustee"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

Section 1. ***Purpose of Certificate.*** This Certificate is being executed and delivered by the Issuer for the benefit of holders of the Bonds and to assist Mellon Financial Markets, (the "Underwriter") in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule").

Section 2. ***Annual Financial Information.*** The Issuer, as the "obligated person" for purposes of the Rule, hereby agrees to provide or cause to be provided at least annually to each NRMSIR (as defined herein) and to the state information depository, if any, located in the Commonwealth of Pennsylvania (the "SID"), financial information regarding the Issuer relating to the Single Family Mortgage Revenue Bond Program (the "Program") of the type set forth in the Official Statement dated March 29, 2006 (the "Official Statement") under the following captions:

The Program – Summary of Operations of the Program  
The Program – First Mortgage Loan Characteristics  
Appendix A – Financial Statements of the Authority Relating to the Program

(Such financial information shall also include information with respect to the amounts on deposit in the Bond Reserve Fund, the Mortgage Reserve Fund and the Special Hazard and Loss Reserve Fund.)

The financial information described above (except Appendix A) will be filed no later than 270 days after the fiscal year end of the Issuer, beginning with the Issuer's fiscal year ended December 31, 2006. Audited financial statements relating to the Program (Appendix A), which will be prepared in accordance with generally accepted accounting principles as established by the Government Accounting Standards Board as in effect from time to time, will be filed when available.

Certain items of annual financial information may be provided by way of cross-reference to other documents previously provided to each NRMSIR and to the SID, if any, or filed with the U.S. Securities and Exchange Commission. If the cross-referenced document is a final official statement within the meaning of the Rule, it shall be available from the Municipal Securities Rulemaking Board (the "MSRB").

Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretative advice its letter to the MAC dated September 7, 2004.

Section 3. **Material Events.** The Issuer agrees to provide or cause to be provided, in a timely manner, (i) to each NRMSIR or to the MSRB, and (ii) to the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- a. principal and interest payment delinquencies;
- b. nonpayment-related defaults;
- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or their failure to perform;
- f. adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- g. modifications to rights of the holders of the Bonds;
- h. Bond calls (excluding mandatory sinking fund redemptions);
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the Bonds; and
- k. rating changes.

Each material event notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. ***Failure to File Annual Financial Information.*** The Issuer agrees to provide or cause to be provided, in a timely manner, (i) to each NRMSIR or to the MSRB and (ii) to the SID, if any, notice of a failure by the Issuer to provide the annual financial information described in Section 2 above on or prior to the time set forth in Section 2.

Section 5. ***Dissemination Agent.*** The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the "Dissemination Agent"). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 6. ***Termination of Obligations.*** Pursuant to paragraph (b)(5)(iii) of the Rule, the Issuer's obligation to provide annual financial information and notice of material events, as set forth herein, shall terminate if and when the Issuer no longer remains an obligated person with respect to the Bonds, which shall occur upon payment or redemption of the Bonds in full or upon the legal defeasance of the Bonds in accordance with the Indenture.

Section 7. ***Enforceability and Remedies.*** The Issuer agrees that this Certificate is intended to be for the benefit of the beneficial holders and holders of the Bonds and shall be enforceable by or on behalf of any such holders; provided that the right of any beneficial bondholder to challenge the adequacy of the information furnished pursuant to this Certificate shall be limited to an action by or on behalf of Bondholders representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds. Any failure by the Issuer to comply with the provisions of this Certificate shall not be an Event of Default under the Indenture. This Certificate confers no rights on any person or entity other than the Issuer, the beneficial holders and holders of the Bonds and any Dissemination Agent.

Section 8. ***Amendment.*** Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, without the consent of the Bondholders, under the following conditions:

- (1) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Issuer or type of business conducted;
- (2) This Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (3) The amendment does not materially impair the interest of holders of the Bonds, as determined either by parties unaffiliated with the Issuer (such as the trustee for the Bonds or nationally recognized bond counsel), or by approving vote of holders of the Bonds pursuant to the terms of the Indenture at the time of the amendment.

The Issuer shall provide notice of any amendment which changes the accounting principles followed in preparation of its annual financial information to each then existing NRMSIR or the MSRB and the SID, if any.

The initial annual financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.

Section 9. **Counterparts.** This Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 10. **Defined Terms.**

"NRMSIR" means each nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule.

Section 11. **Choice of Law.** This Certificate shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

URBAN REDEVELOPMENT  
AUTHORITY OF PITTSBURGH

By \_\_\_\_\_

Date: April 12, 2006