
PENNSYLVANIA HOUSING FINANCE AGENCY

AND

THE PHILADELPHIA NATIONAL BANK
as Trustee

SUPPLEMENTAL INDENTURE OF TRUST

(Supplementing and restating the Indenture of Trust dated as of April 1, 1982 as amended and supplemented as of October 27, 1983, June 15, 1984, April 1, 1985, July 1, 1985 and October 1, 1985)

Dated as of June 1, 1986

SUPPLEMENTAL INDENTURE

This Supplemental Indenture, made and dated as of the 1st day of June, 1986 by and between the Pennsylvania Housing Finance Agency ("Agency") and The Philadelphia National Bank ("Trustee"):

WITNESSETH THAT

WHEREAS, the Agency and the Trustee entered into an Indenture of Trust made and dated as of the 1st day of April, 1982 (the "Original Indenture") pursuant to which the Agency has issued its Single Family Mortgage Revenue Bonds; and

WHEREAS, such Original Indenture was amended pursuant to a Resolution of the Agency on October 27, 1983, and pursuant to Supplemental Indentures made and dated as of June 15, 1984; April 1, 1985; July 1, 1985 and October 1, 1985; and

WHEREAS, the Agency and the Trustee wish to restate the prior Supplemental Indentures and provide for further supplement as provided below; and

WHEREAS, Section 801 and 802 of the Original Indenture provide that a Supplemental Indenture may be entered into for the purposes described therein.

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS:

Section 1. Definitions. Unless expressly given different meanings hereunder or the context clearly requires otherwise, all terms used herein shall have the same meanings assigned to them, subject to further definitions thereof hereinafter provided, unless the context clearly requires otherwise.

Section 2. Additional Capital Reserve Fund Requirement. By a Resolution of the Agency dated October 27, 1983, the definition of Capital Reserve Fund Requirement in Article I of the Original Indenture was amended to read as follows:

"Capital Reserve Fund Requirement" shall mean an amount equal to 3% of the aggregate principal amount of Bonds outstanding on said date plus one million dollars which million dollars shall be invested in Investment Securities having a maturity of one year or less.

Section 3. Self Insurance Fund Requirement. By a Supplemental Indenture dated as of October 1, 1985, Article I was amended to add the following definition:

"Self Insurance Fund Requirement" shall mean, initially, an amount equal to 2% of the Mortgage Loans to be funded from the Program Account for the Series I Bonds and thereafter shall be 2% of the outstanding principal amount of Mortgage Loans funded from the Program Account for the Series I Bonds.

Section 4. Investment Securities. The definition of Investment Securities in Article I of the Original Indenture was amended as follows:

By a Supplemental Indenture dated July 1, 1985, Paragraph (2) of the definition of Investment Securities found in Section 101 of the Original Indenture was amended by adding to the end of the paragraph: "and Federal National Mortgage Association."

By a Supplemental Indenture dated July 1, 1985, Paragraph (3) of the definition of Investment Securities is modified to delete the reference to FNMA securities collateralized by GNMA and shall read as follows:

"any bond, debenture, note, participation certificate or other similar obligation issued by any other federal agency and backed by the full faith and credit of the United States other than as provided in (1) hereof;"

By a Supplemental Indenture dated as of April 1, 1985, Paragraph (10) was amended to read "deposits in mutual or money market funds which invest solely in Investment Securities of the types described in clauses 1 through 4 above or in repurchase agreements fully collateralized by Investment Securities of the types described in clauses 1 through 4 above and with total assets (deposited funds) of \$1,000,000,000 or greater."

By a Supplemental Indenture dated as of April 1, 1985, Paragraph (11) was added and shall read "investment agreements with an entity whose unsecured debt obligations are rated not less than "AA" by Standard and Poor's Corporation and "Aa" by Moody's Investors Services, Inc."

Section 5. Medium of Payment; Form and Date. By a Supplemental Indenture dated as of July 1, 1985, Section 301(C) of the Original Indenture was amended to read as follows:

"the original issue of Bonds shall be dated as of the date specified in the resolution authorizing their issuance. Bonds delivered subsequent to the original issue shall be dated as of the date of their authentication. Unless otherwise provided in the resolution authorizing their issuance, interest on the Bonds shall be payable on their Interest Payment Dates. The Bonds shall bear interest from the Interest Payment Date next preceding the date of the Bond unless (I) a Bond shall be dated after a Record Date and on or before the succeeding Interest Payment Date, in which case the Bond shall bear interest from such succeeding Interest Payment Date, or (ii) a Bond

shall be dated prior to the Record Date preceding the first Interest Payment Date in which case the Bond shall bear interest from the date specified in the resolution authorizing its issuance, or (iii) as shown by the records of the Trustee that the interest on the Bonds shall be in default, in which event the Bond shall bear interest from the date on which interest was last paid."

By a Supplemental Indenture dated as of October 1, 1985, Section 301(c)(iii) of the Original Indenture was modified to read as follows:

(iii) a Bond is dated as of the date to which interest has been paid in full and such Bond was issued in lieu of a Bond in default in which case the Bond shall bear interest from its dated date.

Section 6. Regulations with Respect to Exchanges and Transfers. The last sentence of Section 306 of the Original Indenture is amended hereby to delete reference to the requirement of publication of notice or redemption of Bonds and shall read as follows:

"The Agency shall not be obliged to make any such exchange or transfer of Bonds during the ten days preceding an Interest Payment Date on such Bonds, or, in the case of any proposed redemption of Bonds, during the ten days next preceding the date of the mailing of notice of such redemption or to transfer or exchange Bonds previously called for redemption."

Section 7. Purchase or Mortgage Loans; Conditions Precedent. The last paragraph of Section 402 of the Original Indenture is amended hereby to increase to 180 from 60 the days from the Purchase Date in which documents are to be delivered to the Trustee and shall read as follows:

"Within one hundred and eighty (180) days from the Purchase Date of a Mortgage Loan, the Agency shall deliver or cause to be delivered the originals of the Mortgage, the Mortgage Note and the related title insurance policy to the Trustee, and shall give written notification to the Trustee either (i) that it has received the Mortgage Loan file with respect to such Mortgage Loan, prepared in accordance with the Program Guidelines and containing the documents specified therein, or (ii) that it has not received such Mortgage Loan file. If such Mortgage Loan file has not been received, the Trustee may direct the Participant originating such Mortgage Loan, or cause the Agency to so direct such Participant, to repurchase the Mortgage Loan in accordance with the Agreement."

Section 8. Self Insurance Fund. By a Supplemental Indenture dated as of October 1, 1985, Section 501(A) of the Original Indenture as amended to add the following fund:

(4) The Self Insurance Fund.

A Section 505A is hereby added after Section 505 and before Section 506 and shall read as follows:

"The Agency shall deposit and maintain with the Trustee a Self Insurance Fund equal to 2% of the outstanding principal amount of the Mortgage Loans to be funded from the Program Account for the Series I Bonds. The amount necessary to create and maintain the Self Insurance Fund shall be transferred from the Agency's Self Insurance Fund maintained in its General Fund and shall be used to pay Debt Service on the Bonds in the event there are insufficient funds in the Revenue Account.

Periodically, the Agency may withdraw from the Self Insurance Fund the earnings from the investment of proceeds held in the Self Insurance Fund to the extent the amounts therein exceed the amount required to be maintained therein.

Annually, the Agency may transfer from the Revenue Account its premium charged to the Self Insurance Fund equal to ten basis points (.10%) of the Self Insurance Fund. The premium will first be applied to restoring the Fund to its Requirement and may then be transferred to the Agency's General Fund.

If on any interest payment date from the Bonds, the amount in the Revenue Account shall be insufficient to pay Debt Service on the Bonds, the Trustee shall apply amounts from the Self Insurance Fund to the extent necessary to cure the deficiency in the Revenue Account."

Section 9. Capital Reserve Fund. By a Supplemental Indenture dated as of October 1, 1985, Section 505(B) of the Original Indenture was amended to read as follows:

"(B) If on any interest payment date for the Bonds, after allocations from the Revenue Account, the amount in the Revenue Account shall be insufficient to pay Debt Service on the Bonds, the Trustee shall first apply amounts from the Self Insurance Fund. To the extent deficiencies exist in the Revenue Account after such application, the Trustee shall apply amounts from the Capital Reserve Fund, first from the General Account and second from the Agency Account. As long as no event of default shall have occurred and be continuing, the Trustee shall be entitled to rely on a Statement of Projected Revenues and Expenses as to the proper amounts to be applied to the purposes described herein, and as to the amount to be retained in the Capital Reserve Fund."

Section 505 (C) of the Original Indenture was also amended as of October 1, 1985 to read as follows:

"(C) No later than 92 days after the end of each fiscal year, the Trustee shall calculate the amount of the Capital Reserve Fund Requirement as of such date (after giving effect to the maturity or redemption of any bonds to occur on the next day) and shall determine the amount, if any, then in the General Account which is in excess of such Capital Reserve Fund Requirement. The amount of such excess shall be transferred to the Self Insurance Fund to the extent of any deficiencies therein. Thereafter, any excess remaining may, in the discretion of the Agency, immediately prior to such allocation be transferred to the Revenue Account. Amounts held in the Agency Account shall be repaid to the Agency in amount and at times as shall be determined by the Statement of Projected Revenues and Expenses to be filed on April 1 of each year as described in subsection (C) of Section 506 hereof."

Section 10. Applications of Money in Revenue Account. By a Supplemental Indenture dated as of June 15, 1984, Section 503(B)(6)(c) of the Original Indenture was modified by adding the following sentence: "Provided, however, that surpluses in excess of One-Hundred Fifty Thousand Dollars (\$150,000) shall not be released to the Agency unless (i) the principal balance of all Mortgage Loans plus amounts on deposit in all funds and accounts under the Indenture shall exceed 102% of the principal amount of the Bonds Outstanding including accrued interest thereon. For the purposes of this paragraph, investments in funds and accounts will be valued at the lower of cost or market, except that investments in Capital Reserve Fund will, for purposes of this calculation, be valued at amortized cost. In calculating the Statement of Projected Revenues and Expenses pursuant to Section 506(A) hereof, the Agency shall use reasonable investment rate assumptions and shall assume a 60-day lag in payments on all Mortgage Loans not originated as the date of such calculation."

Section 11. Authorized Newspapers. By a Supplemental Indenture dated as of April 1, 1985, Section 605 of the Original Indenture concerning Notice of Redemption was amended to delete the sentence:

"Such notice shall be given by publication once a week for a least two successive weeks in the Authorized Newspapers, the first such publication not to be less than thirty days nor more than sixty days prior to the Redemption Date."

This amendment shall only be effective for the Series G Bonds and Bonds issued subsequent to the Series G Bonds.

Section 12. Notice of Redemption. Section 605 is hereby amended by adding the following paragraph to the end thereof:

"However, in the case of registered Series J Bonds held by the Depository Trust Company ("DTC"), the Trustee shall mail a copy of such notice by certified mail (return receipt requested). The Trustee shall mail a copy of such notice to Series J Bondowners by registered mail (return receipt requested) if the Bondowner shall request in writing that the Trustee do so."

Section 13. Payment of Redeemed Bonds. Section 606 is hereby amended to delete reference to the requirements of publication of notice of redemption of Bonds and shall read as follows:

Notice shall be given in the manner provided Section 605, the Bonds or portion thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with a written instrument of transfer duly executed by the registered owner or his attorney duly authorized in writing, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the Redemption Date. If there shall be drawn for redemption less than the entire principal amount of a Bond, the Agency shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the holder, Bonds of like maturity and other terms in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like maturity and other terms to be redeemed, together with interest to the Redemption Date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such maturity and other terms so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 14. Resignation of Trustee. By a Supplemental Indenture dated as of June 15, 1984, Section 1107 of the Original Indenture was amended to read as follows:

"The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than 60 days' written notice to the Agency and publishing notice thereof, specifying the date such resignations shall take effect, once in Authorized Newspapers,

but such resignation shall not take effect until a successor Trustee shall have been appointed."

Section 15. Appointment of Successor Trustee. By a Supplemental Indenture dated as of June 15, 1984, Section 1109(C) of the Original Indenture was amended to read as follows:

"Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a Trust company or Bank having the powers of a Trust Company within or outside the Commonwealth having a capital and surplus aggregating Seventy-Five Million Dollars (\$75,000,000) or shall have at least Five Hundred Million Dollars (\$500,000,000) in assets as a Trustee, if there be such a Trust Company or Bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture."

Section 16. Confirmation. Except as restated, amended and supplemented by this Supplemental Indenture, the Original Indenture is hereby ratified and confirmed in all respects and made applicable in all respects to the Bonds, the holders thereof and the security therefore. The Original Indenture and this Supplemental Indenture shall be read, taken and construed as one in the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture of Trust to be executed in their respective names by duly authorized officers and to be dated as of the 1st day of June, 1986.

[SEAL]
ATTEST:

By /s/ Carrie M. Barnes
Secretary

PENNSYLVANIA HOUSING
FINANCE AGENCY
By /s/ Michael A. Donadee
Executive Director

[SEAL]
ATTEST:

/s/ Stephen Schaaf
Authorized Officer

THE PHILADELPHIA NATIONAL
BANK
By /s/ Rosita Forte
Authorized Officer