
PENNSYLVANIA HOUSING FINANCE AGENCY

AND

**THE PHILADELPHIA NATIONAL BANK,
as Trustee**

SUPPLEMENTAL INDENTURE OF TRUST

Dated as of June 1, 1987

SUPPLEMENTAL INDENTURE OF TRUST

This Supplemental Indenture of Trust, made and dated as of the 1st day of June, 1987 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, which Supplemental Indentures were all restated in a Supplemental Indenture, dated as of June 1, 1986; and

WHEREAS, by a resolution adopted June 12, 1987 (the "Resolution"), the Agency authorized the issuance of \$54,995,000 aggregate principal amount Single Family Mortgage Revenue Bonds, Series N (the "Series N Bonds") and \$80,335,000 aggregate principal amount Single Family Mortgage Revenue Bonds, Series O (the "Series O Bonds"); and

WHEREAS, the registered owners of certain Series N Bonds maturing April 1, 2008 (the "Option Bonds") have the option to tender (the "Tender Options") the Option Bonds for purchase at par to The First National Bank of Chicago, Chicago, Illinois (the "Bank") on October 1, 1987 and on each April 1 and October 1 thereafter until April 1, 2005 (the "Purchase Dates") pursuant to the terms and conditions set forth in an Option Bond Remarketing and Purchase Agreement dated June 25, 1987 (the "Option Agreement"), by and among the Bank, the Trustee, Bear, Stearns & Co. Inc., as Remarketing Agent (the "Remarketing Agent") and The Philadelphia National Bank, as Tender Agent (the "Tender Agent"); and

WHEREAS, the provisions of the Option Agreement and the Resolution require that the Indenture be supplemented as set forth below; and

WHEREAS, the Agency and the Trustee and W.H. Newbold's Sons & Co., Inc., as Remarketing Agent (the "Series O Remarketing Agent") shall enter into a Remarketing Agreement, dated June 25, 1987 (the "Remarketing Agreement"), pursuant to which the Series O Bonds shall be remarketed on each Tender Date (as defined in the Resolution); and

WHEREAS, the Agency, the Trustee and W.H. Newbold's Sons & Co., Inc. as Remarketing Agent (the "Series O Remarketing Agency") shall enter into a Remarketing Agreement, dated June 25, 1987 (the "Remarketing Agreement"), pursuant to which the Series O Bonds shall be remarketed on each Tender Date (as defined in the Resolution); and

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

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS:

Section 1. Definitions. Unless expressly given different meanings hereunder or in the recitals hereto, or the context requires otherwise, all capitalized words or phrases used herein shall have the meanings assigned to them in the Original Indenture, as heretofore supplemented.

Section 2. Definitive Bonds. Section 308(A) of the Original Indenture is hereby amended by deleting the first sentence thereof in its entirety and by substituting the following in lieu thereof:

"Definitive Bonds shall be lithographed or printed on steel engraved borders, or if Bonds are issued in book-entry form through Depository Trust Company, Definitive Bonds shall include typewritten bonds".

Section 3. Redemption of Series N Bonds. Article VI of the Original Indenture is hereby amended by adding the following new section to the end thereof:

Section 607. Redemption of Series N Bonds. The Series N Bonds shall be subject to redemption upon the written direction of the Agency to the Trustee specifying the Series N Bonds to be redeemed in accordance with the following paragraphs in accordance with the provisions of the Series N Bonds, together with the additional provisions set forth in this Section 607.

Notwithstanding anything to the contrary set forth herein, any funds which become available through the prepayment of Series N Mortgages (as defined below) or the principal portion of mortgage, guaranty or insurance payments with respect to Series N Mortgages or collections resulting from foreclosure proceedings with respect to Series N Mortgages shall be available to the Agency, in its sole discretion, to originate or purchase new mortgage loans. In the event that the Agency determines, in its sole discretion not to originate or purchase new mortgage loans from the funds described above, the provisions of the following paragraph shall apply.

Attached hereto as Exhibit A is an anticipated amortization schedule for the Series N Bonds maturing on April 1, 2008 based on the following assumptions (i) that the mortgage loans purchased from the funds made available from the Series N Bonds (the

"Series N Mortgages") will be prepaid at a rate approximately equal 100% of the FHA experience for similar mortgages; (ii) that those prepayments are not used to originate or purchase new mortgage loans; and (iii) that approximately 40% of the amount of those prepayments will be applied to the redemption of the Option Bonds. The Agency agrees that to the extent the Agency receives proceeds of the prepayment of Series N Mortgages, or the principal portion of mortgage loan guaranty or insurance payments with respect to Series N Mortgages, or collections resulting from foreclosure proceedings with respect to Series N Mortgages, that the Agency shall direct the Trustee to apply said proceeds to the redemption of the Option Bonds so as to amortize the Option Bonds in accordance with the schedule attached as Exhibit "A", on a cumulative basis, to the maximum extent possible; provided that under no circumstances shall the Agency be restricted from using such proceeds, in its sole discretion, to originate or purchase new mortgage loans.

Section 4. Trustee's Responsibilities Under Option Agreement and Letters of Representation. Article XI of the Original Indenture is hereby amended by adding the following new section to the end thereof:

Section 1115. Responsibilities of Trustee Under Option Agreement and Letters of Representation. The Agency hereby authorizes and directs the Trustee to exercise all its rights and perform all its obligations under the Option Agreement. Any such obligations, including the Trustee's obligation to pay tender fees to the Bank on behalf of the registered owners of the Option Bonds from amounts which would otherwise be payable as interest on the Option Bonds due to such owners, are hereby incorporated herein by reference.

In connection with the book-entry registration of the Series O Bonds and the Series N Bonds through Depository Trust Company ("DTC"), the Trustee is authorized and directed to sign two Letters of Representation to DTC, which are attached hereto as Exhibit B and the obligations and rights of the Trustee as set forth therein are incorporated herein by reference. In the event that DTC determines to discontinue providing its services, the Agency shall provide the Trustee with written notice of such discontinuance and will supply the Trustee with forms of Bonds necessary for the Trustee to discharge its duties hereunder the Trustee shall have no obligation to act with respect to the issuance or exchange of Bonds until after a reasonable period following receipt of such necessary forms of Bonds from the Agency."

Section 5. Record Date-Series O Bonds and Series N. Bonds. Section 301 of the Original Indenture is hereby amended by adding the following new subsection to the end thereof:

"D. The Record Date for the Series N Bonds shall be the 15th day of the month next preceding an Interest Payment Date".

E. Following the exercise by the Agency of its Long Term Option (as defined in the Resolution) with respect to the Series O Bonds, the Record

Date for the Series O Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

Section 6. Removal of Trustee. The second sentence of Section 1108 of the Original Indenture is hereby amended by adding the following words to the end of such sentence: "not less than thirty (30) days prior to the effective date of such removal."

Section 7. Investment Securities. Section 3 of the Supplemental Indenture dated April 1, 1985, added Paragraph (11) to the definition of "Investment Securities" which was restated in Section 4 of the Supplemental Indenture dated June 1, 1986. Such Paragraph (11) is hereby amended by adding the following words to the end of such Paragraph (11): "or the comparable ratings by such organizations of short term investments."

Section 8. Depository Trust Company Voluntary Offering Procedures. The Agency has agreed that for so long as it is the registered owners of the Bonds, Depository Trust Company may process tenders of the Bonds in accordance with its Voluntary Offering Procedures (the "Procedures") a copy of which is attached hereto and made a part hereof and that under the Procedures, Depository Trust Company will receive instructions from its Participants to tender Bonds for purchase.

Section 9. Remarketing Agreement. The Agency hereby authorizes and directs the Trustee to execute the Remarketing Agreement and to perform all its obligations under the provisions thereof.

Section 10. Series O Bonds - Options - Tender Notice. In the event that the Agency exercises one or more of its Options (as defined in the Resolution), including the Short Term Option, the Long-Term Option, the Redemption Option or the Serial Maturities Option, the Agency shall give prior written notice to the Trustee specifying which of the Options it is exercising and directing the Trustee to take whatever action is necessary to put such Options into effect, including the mailing of any Tender Notice which shall be in form and substance as provided by the Agency.

Section 11. Confirmation. Except as amended and supplemented by this Supplemental Indenture and earlier Supplemental Indentures, 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 therefor. The Original Indenture, as heretofore supplemented, 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 first day of June, 1987.

[SEAL]
ATTEST:

By /s/ Carrie Barnes
Secretary

PENNSYLVANIA HOUSING
FINANCE AGENCY

By /s/ Karl Smith
Executive Director

[SEAL]
ATTEST:

By /s/Stephen R. Schaaf

THE PHILADELPHIA NATIONAL
BANK

By /s/Rosita Y. Forte

EXHIBIT "A"

REDEMPTION SCHEDULE

<u>Total Bond Years</u>	<u>Redemption Amount (\$)</u>
April 1, 1988	95,000
October 1, 1988	170,000
April 1, 1989	395,000
October 1, 1989	590,000
April 1, 1990	765,000
October 1, 1990	810,000
April 1, 1991	810,000
October 1, 1991	765,000
April 1, 1992	700,000
October 1, 1992	660,000
April 1, 1993	605,000
October 1, 1993	560,000
April 1, 1994	510,000
October 1, 1994	485,000
April 1, 1995	455,000
October 1, 1995	440,000
April 1, 1996	415,000
October 1, 1996	385,000
April 1, 1997	350,000
October 1, 1997	320,000
April 1, 1998	290,000
October 1, 1998	275,000
April 1, 1999	260,000
October 1, 1999	260,000
April 1, 2000	255,000
October 1, 2000	235,000
April 1, 2001	210,000
October 1, 2001	190,000
April 1, 2002	165,000
October 1, 2002	135,000
April 1, 2003	95,000
October 2003	55,000
April 1, 2004	5,000