



MEETINGS SCHEDULED FOR FEBRUARY

Date: 02/22/24, 1 p.m.

HYBRID OPTION AVAILABLE:

In Person: Minnesota Housing, Lake Superior Conference Room, 400 Wabasha Street N. Suite 400 St. Paul, MN 55102

Conference Call: Toll Free: 1.877.309.2071, Access Code: 854-626-771

NOTE:

The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, February 22, 2024.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

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Agenda: Minnesota Housing Board Meeting

Date: 02/22/2024, 1 p.m.

Our Mission and Vision

Mission: Housing is foundational to a full life and a thriving state, so we equitably collaborate with individuals, communities and partners to create, preserve and finance housing that is affordable.

Vision: All Minnesotans live and thrive in a stable, safe and accessible home they can afford in a community of their choice.

1. Call to Order

2. Roll Call

3. Agenda Review

4. Approval of Minutes

- a. (page 5) Regular meeting of January 25, 2024

5. Reports

- Chair
- Commissioner
- Committee

6. Consent Agenda

None.

7. Action Items

- A. (page 11) Approval, 2024 Capacity Building Guide and Request for Proposal
- B. (page 31) Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) - Edge Apartments, D8430, Kasson
- C. (page 55) Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loans (BL) and Funding Modification, Housing Infrastructure Bond (HIB) Loan -Walnut Towers, D3349, Mankato
- D. (page 79) Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024A-1 and 2024 A-2 (Edge Apartments)
- E. (page 179) Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 B-1 and B-2 (Walnut Towers)

8. Discussion Items

- A. (page 279) Financial Update for Quarter 2 FY2024

9. Information Items

- A. (page 289) Semi-annual Variable Rate Debt and Swap Report as of January 1, 2024
- B. (page 311) First Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

10. Other Business

- A. Discussion on Wilson II Apartments v. State of Minnesota et al. *This portion of the meeting will be closed pursuant to Minnesota Statutes Section 13D.05.*

11. Adjournment

DRAFT Minutes
Minnesota Housing Board Meeting
Thursday, January 25, 2024
1:00 p.m.

1. Call to Order.

Chair DeCramer called to order the regular meeting of the Board of Minnesota Housing Finance Agency at 1:01 p.m.

2. Roll Call.

Members Present via hybrid: Chief Executive Benjamin, Auditor Blaha, Eric Cooperstein, Chair DeCramer, Stephanie Klinzing, Stephen Spears.

Minnesota Housing Staff present via hybrid: Anbar Ahmed, Tal Anderson, Tom Anderson, Erika Arms, Ryan Baumtrog, Abigail Behl, Scott Beutel, Jennifer Bergmann, Susan Bergmann, Cory Boushee, Joe Boutch, Sondra Breneman, Sarah Broich, Stacie Brooks, Sara Bunn, Deran Cadotte, Arlette Cuevas Renteria, Lane DeSalvo, Suzanne Dilla, Amol Dixit, Michelle Doyal, Allison Ehlert, Diane Elias, Mark Engel, Kathy Engstrom, Jim Erchul, Becca Faircloth, Vicki Farden, Jennifer Finnesgard, Graydon Francis, Mark Freeman, Steve Furlong, Rachel Franco, Rachel Ganani, Sara Gomoll, Vanessa Haight, Amanda Hedlund, Annalise Heitz, Anne Heitlinger, Darryl Hennen, Genevieve Hernandez, Adam Himmel, Jennifer Ho, Heidi Hovis, Summer Jefferson, Will Jensen-Kowski, Hannah Jirak, Callie Jirik, Karen Johnson, Irene Kao, Millicent Kasal, Aaron Keniski, Katey Kinley, Dan Kitzberger, Janine Langsjoen, Tresa Larkin, Debbi Larson, Tricia Lau, Ger Lee, Song Lee, Rachel Lochner, James Lehnhoff, Paul Marzynski, Sarah Matala, Jill Mazullo, Eric Matson, Don McCabe, David McGee, Leighann McKenzie, Colleen Meier, Amy Melmer, Erin Menne, Krissi Mills, Gary Mortenson, Gerald Narlock, Nira Ly, John Patterson, Mason Persons, Kirby Pitman, Caryn Polito, Ann Provo, Rinal Ray, Annie Reiersen, Brittany Rice, Paula Rindels, Cheryl Rivinius, Dani Salus, Joel Salzer, Kayla Schuchman, Kareem Sherard, Mike Solomon, Steve Stanley, Corey Strong, Kimberly Stuart, Jodell Swenson, Mike Thomas, Susan Thompson, Mike Thone, Kody Thurnau, Nancy Urbanski, Que Vang, Teresa Vaplon, Manire Vaughn, Nicola Viana, Amanda Welliver, Alyssa Wetzel-Moore, Lakisha Whitson, Kelly Winter, Laurie Zabel and Kristy Zack.

Others present via hybrid: Ramona Advani, Office of the Minnesota State Auditor; Melanie Johnson, Piper Sandler & Co.; Leslie Powell, Kutak Rock; Gene Slater, CSG Advisors.

3. Agenda Review

None.

4. Approval

A. Regular Meeting Minutes of December 14, 2023

Motion: Eric Cooperstein moved to approve the December 14, 2023, Regular Meeting Minutes. Seconded by Auditor Blaha. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 5-0. All were in favor.

5. Reports

A. Chair

None.

B. Commissioner

Commissioner Ho shared the following with the Board:

- Welcome new employees
- Meetings
- Program Updates
- Upcoming legislative session preview

C. Committee

None.

6. Consent Agenda

A. Extension, Minnesota Homeownership Center, Operating Technical Assistance Grant

B. Forbearance Extension, Urban Indian Housing Program (UIHP), Minnesota Indian Women's Resource Center, D0806, Minneapolis

C. Approval, Change in Loan Term, Rental Rehabilitation Deferred Loan (RRDL), Gra Mar Court Apartments, D8281, Kerkhoven

D. Approval, Amendment to the Workforce Housing Development Program (WHDP) Guide

Motion: Eric Cooperstein moved the Consent Agenda Items. Seconded Stephanie Klinzing. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 5-0. All were in favor.

7. Action Items

A. Approval, 2024 Minnesota City Participation Program (MCP)

Greg Krenz presented to the board a request for approval of local governments for participation in the Minnesota City Participation Program (MCP). Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval, 2024 Minnesota City Participation Program. Seconded by Auditor Blaha. Roll call was taken. Motion carries 6-0. All were in favor.

B. Approval, Selection of the Agency's Financial Advisor for 2024 - 2027 Approval, Forgiveness, Housing Trust Fund (HTF) Loan (Nonprofit Housing Bonds), Dundry House, D4432, Minneapolis

Sarah Matala presented to the board a request to adopt a resolution authorizing the early forgiveness of the \$1,082,805 Housing Trust Fund (HTF) loan originally funded with proceeds from Nonprofit Housing (NPH) Bonds. This forgivable loan is scheduled to

mature on February 8, 2041. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Auditor Blaha moved Approval, Forgiveness, Housing Trust Fund Loan, Dundry House, D4432, Minneapolis. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

C. Approval, Selection of Housing Opportunities for Persons With AIDS (HOPWA) Program Funding

Ji-Young Choi and Deran Cadotte presented to the board a request for the adoption of a resolution authorizing awards totaling \$528,619 from the Housing Opportunities for Person With AIDS (HOPWA) Program to two grantees, Rainbow Health Minnesota and Clare Housing. Upon execution of Grant Contract Agreements, these funds will allow selected grantees to provide Short-Term Rent, Mortgage and Utility (STRMU) assistance to eligible households. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval, Selection of Housing Opportunities for Persons With AIDS Program Funding. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

D. Approval, Amendments to the Workforce Housing Development Program Guide Approval, High Rise Sprinkler System (HRSS) Program Guide

Dani Salus presented to the board a request for approval of the High-Rise Sprinkler System Program Guide. This guide will be used to establish the High-Rise Sprinkler System program and facilitate a legislatively-named grant to CommonBond Communities for installation of sprinkler systems at two buildings known as Seward Tower West and Seward Tower East. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Auditor Blaha moved Approval, High Rise Sprinkler System (HRSS) Program Guide. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

E. Approval of Funding Modification, Publicly Owned Housing Program (POHP), Hill Lake Manor, D7776, Hill City, MN

Susan Bergmann presented to the board a request for the adoption of a resolution to increase the loan amount for Hill Lake Manor by \$150,750, increasing the total POHP loan from \$130,100 to \$280,850. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Auditor Blaha moved Approval of Funding Modification, Publicly Owned Housing Program (POHP), Hill Lake Manor, D7776, Hill City, MN. Seconded by Eric Cooperstein. Roll call was taken. Motion carries 6-0. All were in favor.

F. Approval of Funding Modification, Publicly Owned Housing Program (POHP), Pioneer Villa, D7777, McGregor, MN

Susan Bergmann presented to the board a request for the adoption of a resolution to increase the loan amount for Pioneer Villa by \$150,750, increasing the total POHP loan from \$130,100 to \$280,850. Chair DeCramer opened up the discussion. There were no questions from board members.

Motion: Auditor Blaha moved Approval of Funding Modification, Publicly Owned Housing Program, Pioneer Villa, D7777, McGregor, MN. Seconded by Chief Executive Benjamin. Roll call was taken. Motion carries 6-0. All were in favor.

G. Approval of Funding Modification, Publicly Owned Housing Program (POHP), John Carroll Hi-Rise, D2514, South Saint Paul

Susan Bergmann presented to the board a request for approval of an increase of \$1,124,948 to the Publicly Owned Housing Program (POHP) loan for John Carroll Hi-Rise from \$3,287,152 to \$4,412,100. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Approval of Funding Modification, Publicly Owned Housing Program, John Carroll Hi-Rise, D2514, South Saint Paul. Seconded by Stephanie Klinzing. Roll call was taken. Motion carries 6-0. All were in favor.

H. Commitment of Manufactured Home Park Acquisition Loan–Bois de Sioux Cooperative, D8649, Breckenridge, MN

Tresa Larkin presented to the board a request for authorization to finance the acquisition and financing costs of Bois de Sioux Cooperative, a manufactured home community in Breckenridge, MN. The financing will include a secured first mortgage loan with a seven-year term. The first three years will require interest only payments. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Auditor Blaha moved Commitment of Manufactured Home Park Acquisition Loan– Bois de Sioux Cooperative, D8649, Breckenridge. Seconded by Eric Cooperstein. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 5-0. All were in favor.

I. Adoption, Resolution Authorizing the Issuance and Sale of General Purpose Bonds, Series 2024

Mike Solomon presented to the board a request for authorization to issue General Purpose Bonds secured by the Agency's general obligation pledge to fund its existing financing programs in the Housing Investment Fund (Pool 2) in an amount not to exceed \$60 million. Leslie Powell, Kutak Rock, joined the meeting to review the resolution. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Eric Cooperstein moved Adoption, Resolution Authorizing the Issuance and Sale of General Purpose Bonds, Series 2024. Seconded by Stephanie Klinzing. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 5-0. All were in favor.

J. Approval, 2024-2025 Affordable Housing Plan

John Patterson presented to the board a request for approval of the 2024-2025 Affordable Housing Plan. Chair DeCramer opened up the discussion. Board members asked questions, and staff provided answers.

Motion: Stephanie Klinzing moved Approval, 2024-2025 Affordable Housing Plan. Seconded by Eric Cooperstein. Roll call was taken. Stephen Spears was not present for the vote. Motion carries 5-0. All were in favor.

8. Discussion Items

None.

9. Information Items

None.

10. Other Business

- A. Post Sale Report, Residential Housing Finance Bonds, Series 2023 RST
- B. Post Sale Report, Residential Housing Finance Bonds, Series 2023 UV

11. Adjournment

The meeting was adjourned at 3:05 p.m.

John DeCramer, Chair

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Item: Approval, 2024 Capacity Building Guide and Request for Proposal

Action Item: 7.A
Date: 02/22/2024
Staff Contacts: Alyssa Wetzel-Moore, 651.263.1453, alyssa.wetzel-moore@state.mn.us
 Ryan Baumtrog, 651.296.9820, ryan.baumtrog@state.mn.us
Request Type: Approval, Motion

Request Summary

Staff request approval of the 2024 Capacity Building Program Guide and discuss plans for the 2024 Capacity Building Program Request for Proposals (RFP). The Capacity Building Program will fund activities which create inclusive and thriving communities by building capacity to address root causes of housing challenges and disparities and building power in communities most impacted by housing challenges and disparities.

This RFP will result in a two-year or three-year grant term for one of the following uses:

- Organizational Capacity Building: Grantee will use funds to build its *own* capacity to achieve the goals of the Capacity Building Grant.
- Intermediary Capacity Building: Grantee will use the funds to build the capacity of *others* through pass-through grants and/or technical assistance.

Fiscal Impact

The Capacity Building Program will use up \$5 million from a combination of Capacity Building Appropriations and/or Pool 3 under the Technical Assistance and Operating Support program. Individual awards are structured as grants, which do not earn interest for the Agency.

Agency Priorities

- | | |
|---|--|
| <input checked="" type="checkbox"/> Improve the Housing System | <input checked="" type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Background
- Capacity Building Program Guide

Background

In the 2023 Legislative Session, Minnesota Housing received \$6,290,000 in appropriations for Capacity Building. Accounting for named grantees and typical uses of Capacity Building Appropriations, approximately \$5 million are available. There is also \$2.4 million included in the Affordable Housing Plan for Technical Assistance/Capacity Building that have historically been used for this activity. Staff is planning that up to \$5 million be available for the 2024 Capacity Building Program Request for Proposals.

Minnesota Housing's Capacity Building Program, authorized under Minnesota Statute 462A.21, subd. 3b, will fund activities that build capacity of organizations and communities to address root causes of housing challenges and create thriving and inclusive communities. Communities most impacted by housing challenges and disparities are experts and key partners in developing solutions to these challenges. Minnesota Housing trusts organizations and communities to use their knowledge and creativity to develop strategies that work for them.

The Capacity Building Program is an important tool for advancing Minnesota Housing's 2024-2027 strategic objectives to:

- Create a More Inclusive, Equitable and Just Housing System
- Focus on the People and Places Most Impacted by Housing Instability
- Strengthen Communities
- Support Tribal Nations and Indigenous Communities
- Develop Green, Energy-Efficient, Climate-Resilient, Sustainable Housing

Selected grantees will utilize Capacity Building Program grant funds for one of the following two uses:

1. **Organizational Capacity Building:** Grantee will use the funds to build its *own* capacity to address root causes of housing challenges and housing disparities, build power in communities and support inclusive and equitable communities.
2. **Intermediary Capacity Building:** Grantee will use the funds to build the capacity of *others* by providing pass-through grants and/or technical assistance (see definition of both terms below) in the Grantee's area of experience and expertise. The purpose of intermediary capacity building is to develop and strengthen the capacity of communities, stakeholders and organizations operating in the areas of housing planning, community and program development and community engagement. Funding should be used to provide direct technical assistance and/or pass-through grants support to communities and organizations.

Award sizes and the amounts recommended will depend on several factors including the number of applications received, amount requested, scoring, capacity needs, and community and geographic coverage. Minnesota Housing anticipates that between 20 to 35 total grantees will be selected – approximately five to seven Intermediary Capacity Building grantees and approximately 16 to 30 Organizational Capacity Building grantees.

Applicants must choose **only one** (not both) of the two uses during the grant period. Applicants will be scored and evaluated against other applications applying for the same use. Organizational Capacity Building applicants do not compete with Intermediary Capacity Building applicants. Minnesota Housing reserves the right to adjust the estimated available funds listed below.

1. Organizational Capacity Building:

- Estimated Available Funds: \$3,750,000 (subject to applications received)

2. Intermediary Capacity Building:

- Estimated Available Funds: \$1,250,000 (subject to applications received)

It is the policy of Minnesota Housing to ensure fairness, precision, equity and consistency in competitive grant awards. This includes implementing diversity and inclusion in grant-making. The 2024 Capacity Building Program grant will serve communities most impacted by housing challenges and disparities. These communities, as defined in Minnesota Housing's Strategic Plan, are the people more likely to be impacted by housing instability including: those with lowest Incomes (e.g. $\leq 30\%$ of area median income), people of color, Indigenous people, LGBTQ+, people experiencing homelessness, people with disabilities, immigrants, large families, seniors, children, people facing barriers and/or limited choices due to: poor credit, limited savings, criminal history, prior evictions, transitioning out of foster care, prison, other systems.

Definitions

Definitions are subject to change in the final version of the 2024 Capacity Building Program Request for Proposal:

Pass-Through Grants: Money awarded by Minnesota Housing that is intended to be passed through the grantee-organization in the form of a sub-grant to build the capacity of one or more: (A) local government entities; (B) Tribal Governments and Tribal Business Entities; (C) groups, business entities, organizations, including nonprofit organizations.

Technical Assistance: Activities which include providing training, education, and/or other supports to build the capacity of one or more individuals, organizations, jurisdictions, and/or Tribal Governments and Tribal Business Entities.

Who can apply for funding?

- Tax-exempt nonprofit organizations (nonprofit educational institutions are not eligible)
- Tribal governments and Tribal Business Entities

Ineligible Applicants: Non-Tribal government entities, for-profit businesses and educational institutions.

What can funds be used for?

Examples of eligible activities include but are not limited to:

Organizational Capacity Building:

- Pilot projects to test creative solutions to housing challenges.
- Build knowledge, strategies and partnerships to advance an innovative housing concept.
- Community engagement, education and leadership development to facilitate community-led decision-making to meet a housing need.
- Partnership development and collaborations to build a stronger network better aligned to advance equity and address housing needs.
- Staff development and training to build organizational capacity to meet community needs, as defined by the community.

Intermediary Capacity Building:

- Community planning activities such as convening a variety of local stakeholders to identify housing needs and priorities, inform them about development processes and creating a housing development plan.
- Convening regional housing providers to create a regional market study and assess housing needs.
- Providing technical assistance to a community-based organization to increase organizational capacity to engage in housing development and planning activities through strengthening internal policies and technical skills.
- Providing technical assistance and pass-through grants to assist a community-based organization to become certified as a Community Housing Development Corporation.
- Pass-through grants to hire a consultant for a housing-related need.
- Develop training and technical assistance on an innovative housing topic or strategy.

What activities are NOT eligible for funding?

- Housing development and pre-development costs.
- Direct services.
- Direct political activities such as endorsing or campaigning for political candidates.
- Providing homeownership counseling, financial coaching and foreclosure counseling to individuals.
- Building operations such as property management, front desk staff and/or security expenses.
- Financial assistance to individuals including rental assistance, affordability gap or down-payment assistance.
- Shelter planning and/or services.
- Transitional housing planning and/or services.
- Scholarships.

Selection Process

This is a competitive application process that consists of the following steps below. Organizational Capacity Building applicants will be considered separately from Intermediary Capacity Building applicants at each step of the process.

1. Applications are reviewed for threshold eligibility.
2. Eligible applications are reviewed for scoring, discussed by the selection committee and final application scores are assigned. Finalists are selected for interviews.
3. The interview committee interviews finalists in a scored interview process.
4. The selection committee reviews and evaluates application scores and interview scores to develop a list of recommended grantees.
5. Pending internal approval by Minnesota Housing leadership, the list of recommended grantees will be submitted to the Minnesota Housing Finance Agency Board for final approval.

Reporting Requirements

All grantees are required to:

1. Submit a financial report every three months during the grant period.
2. Submit a narrative report approximately every six months and meet with the grant manager after the first year to discuss grant progress.

Pending the recommendation resulting from a financial review and risk assessment, grant funds will be disbursed either via advanced payment upon contract execution and every six months during the grant period or on a reimbursement basis as outlined in the grant contract. Any unspent funds or funds spent on ineligible activities must be repaid by the grantee.

Timeline

RFP Release: Estimated by March 2024. Applicants awarded funding must have all due diligence items submitted and approved, and the Grant Contract Agreement fully executed, which includes both the applicant's and Minnesota Housing's signatures, before grant funds can be expended or costs incurred.



CAPACITY BUILDING PROGRAM GUIDE

March 1, 2024



The Minnesota Housing Finance Agency does not discriminate on the basis of race, color, creed, national origin, sex, religion, marital status, status with regard to public assistance, disability, familial status, gender identity, or sexual orientation in the provision of services.

An equal opportunity employer.

This information will be made available in alternative format upon request.

Table of Contents

Chapter 1 – Program Guide Supplement to the Contract 1

1.01	Program Guide.....	1
1.02	Capacity Building Program Overview	1
1.03	Definition of Terms	1

Chapter 2 – Eligibility Criteria 2

2.01	Eligible Entities.....	2
2.02	Eligible Uses	112

Chapter 3 – Contract Requirements 3

3.01	Contract Requirements.....	3
3.02	Subgrantees	4
3.03	Monitoring and Evaluation of Grantees and Subgrantees	4

Chapter 4 – Reporting 4

4.01	Record Keeping.....	4
4.02	Reporting	145

Chapter 5 – Grant Invoicing, Payment and Reporting Schedule 5

Appendix A – Terms 6

Appendix B – Legal Addendum 7

Chapter 1 – Program Guide Supplement to the Contract

1.01 Program Guide

This Program Guide, including subsequent changes and additions, is incorporated into the Contract executed between the Grantee and Minnesota Housing. It is incorporated into such Contract by reference and is a part thereof as fully as if set forth in the Contract at length. If there are any conflicts between the terms of this program guide and the Contract, the Contract controls.

1.02 Capacity Building Program Overview

Minnesota Housing's Capacity Building Program, authorized under Minnesota Statute [462A.21, subd. 3b](#) will fund activities that build capacity of organizations and communities to address root causes of housing challenges and create thriving and inclusive communities. Communities Most Impacted by housing challenges and disparities are experts and key partners in developing solutions to these challenges. Minnesota Housing trusts organizations and communities to use their knowledge and creativity to develop strategies that work for them.

The Capacity Building Program is an important tool for advancing Minnesota Housing's 2024-2027 strategic objectives:

- Create a More Inclusive, Equitable and Just Housing System
- Focus on the People and Places Most Impacted by Housing Instability
- Strengthen Communities
- Support Tribal Nations and Indigenous Communities
- Develop Green, Energy-Efficient, Climate-Resilient, Sustainable Housing

Over the course of the grant period, Grantees will utilize Capacity Building Program Proceeds for one of the following two uses:

1. Organizational Capacity Building: Grantee will use the Grant Proceeds to build its own capacity to address root causes of housing challenges and housing disparities, build power in Communities Most Impacted by housing challenges and disparities, pilot innovative solutions to housing challenges, and support inclusive and equitable communities.
2. Intermediary Capacity Building: Grantee will use the Grant Proceeds to build the capacity of others through pass-through grants and/or technical assistance (see definition of both terms below) in the Grantee's area of experience and expertise. The purpose of intermediary capacity building is to develop and strengthen the capacity of communities, stakeholders, and organizations operating in the areas of housing planning, community and program development, and community engagement. Grant Proceeds should be used to provide direct technical assistance and/or pass-through grants support to communities and organizations.

1.03 Definition of Terms

Please refer to Appendix A for definitions of capitalized terms used in this Program Guide.

Chapter 2 – Eligibility Criteria

2.01 Eligible Entities

The following entities are eligible to apply for the Capacity Building Grant:

- Tax-exempt nonprofits
- Tribal governments and tribal business entities
- Collaborations are welcome to apply, provided the lead applicant is one of the eligible grantees listed above. The lead applicant will be the only grantee. Any members of the collaboration will be funded, if applicable, as sub-grantees or contractors. Grantees may contract with sub-grantees to perform some of the contract obligations. Grantees may contract with consultants to provide good and services for the Grantee.

Non-Tribal government entities, for-profit businesses and educational institutions are ineligible to apply.

2.02 Eligible Uses

Grant Proceeds can be used for one of the following uses:

1. **Organizational Capacity Building:** Grantee will use the Grant Proceeds to build its own capacity to address root causes of housing challenges and housing disparities, build power in Communities Most Impacted by housing challenges and disparities, pilot innovative solutions to housing challenges, and support inclusive and equitable communities.
2. **Intermediary Capacity Building:** Grantee will use the Grant Proceeds to build the capacity of others through Pass-Through Grants and/or Technical Assistance in the Grantee's area of experience and expertise. The purpose of intermediary capacity building is to develop and strengthen the capacity of communities, stakeholders, and organizations operating in the areas of housing planning, community and program development, and community engagement. Grant Proceeds should be used to provide direct Technical Assistance and/or Pass-Through Grants support to communities and organizations.

Grantees must use Grant Proceeds according to work plan, budget and scope of work outlined in the Contract.

Examples of eligible activities include but are not limited to:

Organizational Capacity Building:

- Pilot projects to test creative solutions to housing challenges.
- Community engagement, education and leadership development to facilitate community-led decision-making to meet a housing need.
- Partnership development to build a stronger network better aligned to advance equity and address housing needs.
- Build knowledge, strategies and partnerships to advance an innovative housing concept

Intermediary Capacity Building:

- Community planning activities such as convening a variety of local stakeholders to identify housing needs and priorities, inform them about development processes, and creating a housing development plan.
- Convening regional housing providers to create a regional market study and assess housing needs.
- Providing Technical Assistance to a community-based organization to increase organizational capacity to engage in housing development and planning activities through strengthening internal policies and technical skills.
- Providing Technical Assistance and Pass-Through Grants to assist a community-based organization to become certified as a Community Housing Development Corporation.
- Pass-Through Grants to hire a consultant for a housing-related need.
- Develop training and technical assistance on an innovative housing topic or strategy.

Ineligible activities include:

- Housing development and pre-development costs
- Direct services
- Direct political activities such as endorsing or campaigning for political candidates.
- Providing homeownership counseling, financial coaching and foreclosure counseling to individuals.
- Building operations such as property management, front desk staff and/or security expenses.
- Financial assistance to individuals including rental assistance, affordability gap or down-payment assistance.
- Shelter planning and/or services
- Transitional housing planning and/or services
- Scholarships

Chapter 3 – Contract Requirements

3.01 Contract Requirements

Grantees must adhere to the contract requirements which include, but are not limited to, the activities listed below. If there are any conflicts between this Program Guide and the Contract, the Contract controls.

- Execute one or more contracts with Minnesota Housing outlining the scope of work to be performed. The Grantee may also be responsible for completing the proposal, budget, work plan and/or other exhibits to the Contract(s).
- Maintain financial records for a minimum of six years after the Contract(s) ends that document the use of all Grant Proceeds awarded. Minnesota Housing, at its sole discretion, may request to review the accounting and documentation of such records at a site visit or at other times.
- Complete and submit all required reports on time in a manner determined by Minnesota Housing.

- Have a written conflict of interest policy and take necessary steps to prevent individual and organizational conflicts of interest. All suspected, disclosed, or discovered conflicts of interest must be reported to Minnesota Housing in a timely manner.
- Comply with applicable contracting and bidding requirements noted in the Contract.
- Comply with all affirmative action and non-discrimination requirements noted in the Contract.
- Comply with all applicable state statutes, rules and policies.

3.02 Subgrantees

If utilizing subgrantees, Grantees are expected to enter into contracts with subgrantees prior to disbursing Grant Proceeds to them. At a minimum, Grantees must impose on subgrantees the same expectations that Minnesota Housing requires of Grantee under the Contract. In addition, Grantees must ensure that any communication received from Minnesota Housing is relayed to subgrantees. Grantees remain responsible for compliance with all requirements of this Program Guide and the Contract and for performance of any subgrantees. Minnesota Housing must approve agreements with subgrantees prior to executing a contract with the subgrantees.

3.03 Monitoring and Evaluation of Grantees and Subgrantees

Minnesota Housing will review Grantees' financial reports and narrative reports which must be provided according to the timeline outlined in the Contract. Minnesota Housing may request additional documentation such as, but not limited to, invoices, employee payroll reports and/or timecards, and receipts to verify the information provided in the financial report.

For Grantees with Contracts of \$50,000 or greater, Minnesota Housing will conduct annual monitoring visit(s) of Grantees during the grant period and complete a financial reconciliation of Grantee's expenditures to verify adherence to Contract and program requirements. The monitoring visit consists of an administrative review of the Grantee's policies, procedures and governance, and a program review of the grant activities, staffing and Grantee's evaluation of the grant. Approximately one month prior to the monitoring visit, Minnesota Housing will submit a document request for items to be reviewed as part of the monitoring visit and financial documents to be reviewed as part of the financial reconciliation.

Minnesota Housing may request information of subgrantees as part of this monitoring visit. Following the monitoring visit, Minnesota Housing staff will notify the Grantee if follow up is required. Upon timely completion of follow-up items, Minnesota Housing staff will issue a monitoring review summary letter including areas of concern, recommendations and requirements. Grant Administrators are expected to monitor subgrantees by these same standards during the grant term.

Chapter 4 - Reporting

4.01 Record Keeping

Grantees and subgrantees are responsible for maintaining records that document the use of all Grant

Proceeds. Grantees must save copies of all books, records, program files, documents and accounting procedures related to the grant in a secure and organized format. Grantees must maintain these documents for a minimum of six years from the end of the Contract. Minnesota Housing reserves the right to review all records during this six-year period, and records must be made available to Minnesota Housing upon request.

Documents to save and retain include, but are not limited to:

- Executed Contract
- Reports submitted by the Grantee to Minnesota Housing
- Invoices, and supporting invoice documentation (receipts, proof of payment, employee payroll, etc.)
- Documentation submitted by any subgrantees
- Written approvals from Minnesota Housing Capacity Building Grant Manager

4.02 Reporting

Grantees must submit a narrative, financial report and invoice in a format required by Minnesota Housing. For grantees funded by the 2024 Capacity Building RFP, financial reports must be submitted approximately every three months as outlined in the Contract. Narrative reports must be submitted approximately every six months as outlined in the Contract. Grantees must meet with the Minnesota Housing Capacity Building Grant Manager after the first year of the Contract to discuss progress. For Grantees required to have an annual monitoring, the monitoring visit will serve as this meeting. Grantees must also submit a final report outlining proposed and achieved outcomes and complete expenditures.

Chapter 5 – Grant Invoicing, Payment and Reporting Schedule

Grantees should reference the Contract for the financial report template and the items to be covered in the narrative report. Grantees should also reference the Contract for the timing of advanced payments. After the initial advanced payment is disbursed, Grantees must meet applicable reporting and monitoring requirements and spend at least 50% of current Grant Proceeds in order to receive subsequent advanced payments.

Grantees are required to submit financial and narrative reports by the due dates listed in the Contract and meet with the grant manager after the first year to discuss grant progress. Exact dates will be determined upon contract execution. Grantees should reference their Contract for exact dates and any additional requirements.

Grantees that submit reports more than three months late will be out of compliance with the Contract and the Contract may be subject to termination. If extenuating circumstances arise, the Grantee should email the Capacity Building Program Manager promptly after it is aware of those circumstances, describe the issue and request a reasonable extension. No more than three extensions will be allowed during a grant period.

Appendix A – Terms

Term	Definition
Contract	The Grant Contract executed between Minnesota Housing Finance Agency and the Grantee for the Capacity Building Program.
Grantee(s)	Recipient(s) in a contract with Minnesota Housing to receive Capacity Building Grant Proceeds
Minnesota Housing	The Minnesota Housing Finance Agency.
Grant Proceeds	Funds distributed under the 2024 Capacity Building Grant.
Data Practices Act	References the Minnesota Government Data Practices Act (Minn. Stat. Ch. 13).
Technical Assistance	Activities which include providing training, education, and/or other supports to build the capacity of one or more individuals, organizations, jurisdictions, and/or Tribal Governments and Tribal Business Entities.
Pass-Through Grant	Money awarded by Minnesota Housing that is intended to be passed through the Grantee-organization in the form of a sub-grant to build the capacity of one or more: (A) local government entities; (B) Tribal Governments and Tribal Business Entities; (C) private organizations, including nonprofit organizations.
Communities Most Impacted	As defined in Minnesota Housing's Strategic Plan, Communities Most Impacted are the people more likely to be impacted by housing instability including: those with lowest Incomes (e.g. <= 30% of area median income), people of color, Indigenous people, LGBTQ+, people experiencing homelessness, people with disabilities, immigrants, large families, seniors, children, people facing barriers and/or limited choices due to: poor credit, limited savings, criminal history, prior evictions, transitioning out of foster care, prison, other systems.

Appendix B – Legal Addendum

1.01 Conflict and Control

In the event of any conflict between the terms of this Addendum and the document to which it is attached, the terms of this Addendum will govern and control.

1.02 Fraud

Fraud is any intentionally deceptive action, statement or omission made for personal gain or to damage another.

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing and witnesses, discovers evidence of, receives a report from another source or has other reasonable basis to suspect that fraud or embezzlement has occurred must immediately make a report through one of the communication channels described in section 1.07.

1.03 Misuse of Funds

A contracting party that receives funding from Minnesota Housing promises to use the funds to engage in certain activities or procure certain goods or services while Minnesota Housing agrees to provide funds to the recipient to pay for those activities, goods or services. Regardless of the Minnesota Housing program or funding source, the recipient must use Minnesota Housing funds as agreed, and the recipient must maintain appropriate documentation to prove that funds were used for the intended purpose(s).

A misuse of funds shall be deemed to have occurred when: (1) Minnesota Housing funds are not used as agreed by a recipient; or (2) a recipient cannot provide adequate documentation to establish that Minnesota Housing funds were used in accordance with the terms and conditions of the contract.

Any recipient (including its employees and affiliates) of Minnesota Housing funds that discovers evidence, receives a report from another source or has other reasonable basis to suspect that a misuse of funds has occurred must immediately make a report through one of the communication channels described in section 1.07.

1.04 Conflict of Interest

A conflict of interest – Actual, Potential or Appearance of a Conflict of Interest – occurs when a person has an actual or apparent duty or loyalty to more than one organization and the competing duties or loyalties may result in actions which are adverse to one or both parties. A Potential Conflict of Interest or Appearance of a Conflict of Interest exists even if no unethical, improper or illegal act results from it.

- **Actual Conflict of Interest:** An Actual Conflict of Interest occurs when a person's decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict.

- **Potential Conflict of Interest:** A Potential Conflict of Interest may exist if a person has a relationship, affiliation or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations or interests.
- **Appearance of a Conflict of Interest:** The Appearance of a Conflict of Interest means any situation that would cause a reasonable person, with knowledge of the relevant facts, to question whether another person's personal interest, affiliation or relationship inappropriately influenced that person's action, even though there may be no Actual Conflict of Interest.

A conflict of interest includes any situation in which one's judgment, actions or non-action could be interpreted to be influenced by something that would benefit them directly or through indirect gain to a Partner, Family Member, Relative, Friend, Business or other Outside Interest with which they are involved. Such terms are defined below.

- **Business:** Any company, corporation, partnership, proprietorship, firm, enterprise, franchise, association, organization, self-employed individual or any other legal entity which engages either in nonprofit or profit-making activities.
- **Family Member:** A person's current and former spouse; children, parents, and siblings; current and former children-in-law, parents-in-law, and siblings-in-law; current and former stepchildren and stepparents; grandchildren and grandparents; and members of the person's household.
- **Friend:** A person with whom the individual has an ongoing personal social relationship. "Friend" does not generally include a person with whom the relationship is primarily professional or primarily based on the person being a current or former colleague. "Friend" does not include mere acquaintances (i.e., interactions are coincidental or relatively superficial). Social media friendships, connections, or links, by themselves, do not constitute friendship.
- **Outside Interest:** An Outside Interest may occur when an individual, their Family Member or their Partner has a connection to an organization via employment (current or prospective), has a financial interest or is an active participant.
- **Partner:** A person's romantic and domestic partners and outside Business partners.
- **Relative:** Uncle or aunt; first or second cousin; godparent; godchild; other person related by blood, marriage or legal action with whom the individual has a close personal relationship.

Once made aware of a conflict of interest, Minnesota Housing will make a determination before disbursing any further funds or processing an award. Determinations could include:

- Revising the contracting party's responsibilities to mitigate the conflict
- Allowing the contracting party to create firewalls that mitigate the conflict
- Asking the contracting party to submit an organizational conflict of interest mitigation plan
- Terminating the contracting party's participation

Any person or entity (including its employees and affiliates) that enters into a contract with Minnesota Housing must avoid and immediately disclose to Minnesota Housing any and all conflicts of interest through one of the communication channels described in section 1.07.

1.05 Assistance to Employees and Affiliated Parties

Any party entering into a contract with Minnesota Housing for the purpose of receiving an award or benefit in the form of a loan, grant, combination of loan and grant or other funding is restricted in issuing a loan, grant, combination of loan and grant or other funding to a recipient (“Affiliated Assistance”) who is also: (1) a director, officer, agent, consultant, employee or Family Member of an employee of the contracting party; (2) an elected or appointed official of the State of Minnesota; or (3) an employee of Minnesota Housing, unless each of the following provisions are met:

- The recipient meets all eligibility criteria for the program;
- The assistance does not result in a violation of the contracting party’s internal conflict of interest policy, if applicable;
- The assistance does not result in a conflict of interest as outlined in section 1.04;
- The assistance is awarded utilizing the same costs, terms and conditions as compared to a similarly situated unaffiliated recipient and the recipient receives no special consideration or access as compared to a similarly situated unaffiliated recipient; and
- The assistance is processed, underwritten and/or approved by staff/managers who are independent of the recipient and independent of any Family Member of the recipient. Family Member is defined in section 1.04.

A contracting party need not disclose Affiliated Assistance to Minnesota Housing. However, the contracting party must document and certify, prior to the award, that the Affiliated Assistance meets each of the provisions outlined above. This documentation must be included in the Affiliated Assistance file and must be made available to Minnesota Housing upon request. Affiliated Assistance that does not meet each of the provisions outlined above will be considered a violation of Minnesota Housing conflict of interest standards and must be reported by the contracting party through one of the communication channels outlined in section 1.07.

1.06 Suspension

By entering into any contract with Minnesota Housing, a contracting party represents that the contracting party (including its employees or affiliates that will have direct control over the subject of the contract) has not been suspended from doing business with Minnesota Housing. Please refer to Minnesota Housing’s website for a list of suspended individuals and organizations (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing, then select Suspensions from the menu).

1.07 Disclosure and Reporting

Minnesota Housing promotes a “speak-up, see something, say something” culture whereby internal staff must immediately report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation through one of the communication channels listed below. External business partners (e.g., administrators, grantees or borrowers) and the general public are strongly encouraged to report instances of fraud, misuse of funds, conflicts of interest or other concerns without fear of retaliation using these same communication channels.

- Minnesota Housing’s Chief Risk Officer at 651.296.7608 or 800.657.3769 or by email at MHFA.ReportWrongdoing@state.mn.us;

- Any member Minnesota Housing's Servant Leadership Team, as denoted on Minnesota Housing's current organizational chart (Go to mnhousing.gov, scroll to the bottom of the screen and select About Us, select Servant Leadership Team); or
- Report Wrongdoing or Concerns (mnhousing.gov) (Go to mnhousing.gov, scroll to the bottom of the screen and select Report Wrongdoing).

1.08 Electronic Signatures

Minnesota Housing will use and accept e-signatures on eligible program documents subject to all requirements set forth by state and federal law and consistent with Minnesota Housing policies and procedures. The use of e-signatures for eligible program documents is voluntary. Questions regarding which documents Minnesota Housing permits to be e-signed should be directed to Minnesota Housing staff.

1.09 Fair Housing Policy

It is the policy of Minnesota Housing to affirmatively further fair housing in all its programs so that individuals of similar income levels have equal access to Minnesota Housing programs, regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, familial status, gender identity or sexual orientation.

Minnesota Housing's fair housing policy incorporates the requirements of Title VI of the Civil Rights Act of 1968; the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendment Act of 1988; and the Minnesota Human Rights Act. Housing providers and other entities involved in real-estate related transactions are expected to comply with the applicable statutes, regulations and related policy guidance. Housing providers should ensure that admissions, occupancy, marketing and operating procedures comply with non-discrimination requirements. Housing providers and other entities involved in real-estate related transactions must comply with all non-discrimination requirements related to the provision of credit, as well as access to services.

In part, the Fair Housing Act and the Minnesota Human Rights Act make it unlawful, because of protected class status, to:

- Discriminate in the selection/acceptance of applicants in the rental of housing units;
- Discriminate in the making or purchasing of loans for purchasing, constructing or improving a dwelling, or in the terms and conditions of real-estate related transactions;
- Discriminate in the brokering or appraisal of residential property;
- Discriminate in terms, conditions or privileges of the rental of a dwelling unit or services or facilities;
- Discriminate in the extension of personal or commercial credit or in the requirements for obtaining credit;
- Engage in any conduct relating to the provision of housing that otherwise make unavailable or denies the rental of a dwelling unit;
- Make, print or publish (or cause to make, print or publish) notices, statements or advertisements that indicate preferences or limitations based on protected class status;

- Represent a dwelling is not available when it is in fact available;
- Refuse to grant a reasonable accommodation or a reasonable modification to a person with a disability;
- Deny access to, or membership or participation in, associations or other services organizations or facilities relating to the business of renting a dwelling or discriminate in the terms or conditions of membership or participation; or
- Engage in harassment or quid pro quo negotiations related to the rental of a dwelling unit.

Minnesota Housing has a commitment to affirmatively further fair housing for individuals with disabilities by promoting the accessibility requirements set out in the Fair Housing Act, which establish design and construction mandates for covered multifamily dwellings and requires those in the business of buying and selling dwellings to make reasonable accommodations and to allow persons with disabilities to make reasonable modifications.

1.10 Minnesota Government Data Practices

Minnesota Housing, and any party entering into a contract with Minnesota Housing, must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided by Minnesota Housing under the contract, and as it applies to all data created, collected, received, stored, used, maintained or disseminated by the contracting party under the contract. The civil remedies of Minnesota Statutes Section 13.08 apply to the release of the data referred to in this section by either the contracting party or Minnesota Housing. If the contracting party receives a request to release the data referred to in this section, the contracting party must notify Minnesota Housing. Minnesota Housing will give the contracting party instructions concerning the release of the data to the requesting party before the data is released. The contracting party's response to the request shall comply with applicable law.



Item: Commitment, Low and Moderate Income Rental (LMIR) Loan and Bridge Loan (BL) -Edge Apartments, D8430, Kasson

Action Item: 7.B
Date: 02/22/2024
Staff Contacts: Susan Thompson, 651.296.9838, susan.thompsons@state.mn.us
Request Type: Approval, Resolution

Request Summary:

At the December 15, 2022 meeting, the Minnesota Housing board approved the proposed development for financing under the LMIR program in the amount of up to \$2,939,000 and a BL in the amount of up to \$8,880,000 in Resolution No. MHFA 22-102. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$2,490,000;
2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$5,640,000;

The development was also selected for deferred loan funding of \$1,618,000 under the Economic Development Housing Challenge (EDHC) program, \$4,920,000 under the HOME program and \$2,087,000 under the National Housing Trust Fund (NHTF) program under Resolution No. MHFA 22-103. On August 23, 2023 the Mortgage Credit Committee consolidated the funding into a single deferred loan under the EDHC program with no change to the total overall amount under Board Delegation No. 005. At the February 7, 2024 Mortgage Credit Committee meeting the EDHC funding was reduced by \$250,000 to \$8,375,000 due to a decreased project need.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact:

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments:

- Development Summary
- Resolution
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Edge Apartments	D#8430	M#19085
Address	905 3 rd St. SW.		
City	Kasson	County	Dodge
Date of Selection	12/15/2022	Region	Southwest

A. Project Description and Population Served

- The development involves new construction of 48 units in a three-story elevator building with units ranging from one to four bedrooms.
- The development will provide general occupancy housing serving households with incomes that range from 30% to 60% Multifamily Tax Subsidy Projects (MTSP).
- Five units will serve persons with disabilities (PWD) and four units will serve single adults meeting the definition of high priority homelessness (HPH). These nine units will all benefit from Housing Support income supplement.
- Three units without rental assistance will serve households with incomes at or below 30% MTSP.
- In addition to the Agency loans discussed below, the project includes 4% HTC from Minnesota Housing.
- The project is anticipated to begin construction in May 2024 and is anticipated to open for residents in May 2025.

B. Mortgagor Information

Ownership Entity:	Kasson Housing Group, LLC
Sponsor:	SCI Associates, LLC
Managing Member:	Kasson Housing Partners, LLC
Guarantors:	SCI Associates, LLC Belisle Development, LLC Ember Lake LLC

C. Development Team Capacity Review

The sponsor, SCI Associates, LLC, has the experience and capacity to complete the project. The developer, Access Development, LLC, is related to SCI Associates, LLC and has utilized deferred loans and Housing Tax Credits (HTCs) with proven success.

The property manager, Sand Property Management, LLC, has numerous properties of similar size and type. The property manager has the capacity to manage this development.

Sand Architects, LLC is the architect and Sand Construction LLC is the general contractor. Both have the capacity to effectively design and construct the project.

Both the management company and the architect firm represent Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE). In addition, the architect firm has partnered with a women-owned design firm with the goal of increasing capacity of the design firm.

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$2,490,000	6.7% Est.	N/A	24 mos. (construct ion) + 40 yrs.	40 yr	Construction to Permanent
Bridge	BL	TEB*	\$5,640,000	Bond rate + 1.0%	N/A	24 mos.	N/A	Construction Bridge loan

*Tax-exempt volume limited bonds.

1. Minnesota Housing LMIR first mortgage.
 - The interest rate on the LMIR loan will be based on the bond rate at the time of the bond sale plus an interest rate spread set in consultation with the Finance Division, with a maximum of 6.7%.
 - The rate is subject to being reset at the then market rates if the loan does not close by August 15, 2024.
 - The LMIR loan will be funded with tax-exempt volume limited bonds.
 - Term of the loan will be 24 months in construction, 40 years upon conversion to a permanent loan.
 - Commitment of this loan requires board action.
2. Bridge Loan funded by tax-exempt bonds.

- The total tax-exempt volume limited bonds (LMIR and BL combined) are sized at approximately 53% to qualify the development for 4% (HTCs).
- Based on the proposed syndication pay-in structure, the bridge loan term includes 6 months of cushion.
- The interest rate will be based on the bond rate at the time of sale plus a spread.
- Commitment of this loan requires board action.

Amortizing Mortgage Loan to Cost: 15%

Amortizing Mortgage Loan to Value: TBD*

*An appraisal will be completed prior to closing. The maximum loan-to-value (LTV) permitted for the LMIR is 90%.

E. Significant Changes Since Date of Selection

The Agency financing has been revised to improve the efficiency of the funding structure. As now recommended, both the LMIR permanent loan and the Bridge Loan will be funded with tax-exempt volume-limited bonds and the deferred funding has been consolidated from three funding sources into one.

Development costs are approximately \$1.3M lower than estimated at selection. This is offset by approximately \$1M less in equity, \$364,000 reduction in amortizing mortgage based on slightly increased operating budget and reduced Tax Increment Financing (TIF) income and \$275,000 reduction in Agency deferred funding.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 175,101	\$ 3,648
Construction Costs	\$ 12,941,330	\$ 269,611
Environmental Abatement	\$ 0	\$ 0
Professional Fees	\$ 1,017,190	\$ 21,191
Developer Fee	\$ 550,000	\$ 11,458
Financing Costs	\$ 1,402,255	\$ 29,214
Total Mortgageable Costs	\$ 16,085,876	\$ 335,122
Reserves	\$ 323,165	\$ 6,733
Total Development Cost	\$ 16,409,041	\$ 341,855

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR Amortizing Mortgage	\$ 2,490,000	\$ 51,875
General Partner Cash	\$ 808	\$ 17
HTC Equity Proceeds (Wells Fargo)	\$ 5,460,627	\$ 113,763
Agency Deferred Funding (EDHC)	\$ 8,375,000	\$ 174,479
Rebates	\$ 7,606	\$ 158
Deferred Developer Fee	\$ 75,000	\$ 1,563
Total Permanent Financing	\$ 16,409,041	\$ 341,855

C. Financing Structure

The development will qualify for approximately \$5.4M of annual 4% HTCs, which will result in equity proceeds from Wells Fargo Community Lending and Investment. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Currently, the TDC per unit is \$343,855, which is above the predictive cost model estimate of \$309,606 by 11%.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	3	\$ 537	30% MTSP	30% MTSP	
1BR	7	\$ 834	50% MTSP	30% MTSP	Housing Support
1BR	2	\$ 608	50% MTSP	30% MTSP	Housing Support
2BR	14	\$ 1,167	50% MTSP	60% MTSP	
2BR	8	\$ 1,186	60% MTSP	60% MTSP	
3BR	5	\$ 1,340	50% MTSP	60% MTSP	
3BR	5	\$ 1,070	60% MTSP	60% MTSP	
4BR	2	\$ 1,483	50% MTSP	60% MTSP	
4BR	2	\$ 1,825	60% MTSP	60% MTSP	
Total	48				

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

The restrictions under the Minnesota Housing programs will be as follows:

LMIR 1st Mortgage

- Forty-eight units restricted as follows: 20 units with rents and incomes not exceeding 60% MTSP; 12 units with unrestricted incomes and 16 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

EDHC

- Forty-eight units with incomes not exceeding 60% MTSP and rents at 60% MTSP.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve

contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Nine units will benefit from Housing Support income supplement ensuring the tenants pay no more than 30% of their income toward rent.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.16.
- The project was underwritten at 7% vacancy, with 2% income and 3% expense inflators.
- An operating reserve in the amount of \$307,000 will be funded from syndicator proceeds upon stabilization.
- An operating deficit escrow of \$74,700 will be required (funded outside of the development budget).
- Replacement reserves will be funded from project operations in the amount of \$1,800 per month or \$21,600 annually.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 24-xxx

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
BRIDGE LOAN (BL) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development:	Edge Apartments
Sponsors:	SCI Associates, LLC.
Guarantors:	SCI Associates, LLC, Belisle Development, LLC and Ember Lake LLC
Location of Development:	Kasson
Number of Units:	48
Amount of LMIR Mortgage: (not to exceed)	\$2,490,000
Amount of BL (TEB) (not to exceed)	\$5,640,000

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the construction of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds (if authorized by the Board) for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on August 15, 2024; and
2. The amount of the LMIR amortizing loan shall not exceed \$2,490,000; and

3. The term of the LMIR loan shall be 40 years plus up to 24 months interest only construction period; and
4. The interest rate on the LMIR loan shall be based on the interest rate on the Rental Housing Bonds issued to finance the loans plus a spread, not to exceed 6.70% (subject to change, as set forth in the attached Agency term letter dated February 9, 2024); and
5. Interest-only payments will be payable monthly during the 24-month construction period, after which the loan will commence monthly principal and interest payments over the remaining 40-year term (based on a 40-year amortization), plus 0.125% per annum HUD Risk-Sharing Mortgage Insurance Premium; and
6. The amount of the BL shall not exceed \$5,640,000; and
7. The LMIR and the BL transactions will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
8. The interest rate on the BL will be based on the interest rate on the Rental Housing Bonds issued to finance the BL plus spread and will be payable monthly, with the principal due in a balloon payment no more than 24 months after closing; and
9. The BL commitment may have up to a six-month term but in any case, will expire on before August 15, 2024; and
10. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
11. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
12. Sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
13. Sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
14. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans, to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 22nd day of February 2024

CHAIR



400 Wabasha Street North, Suite

400 St. Paul, MN 55102

P: 800.657.3769

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651.297.2361

www.mnhousing.gov

February 9, 2024

Jamie J. Thelen
SCI Associates, LLC
366 10th Ave S
Waite Park, MN 56387

RE: Term Letter
Edge Apartments, Kasson
Development #D8430, Project # M19085

Dear Jamie J. Thelen:

Minnesota Housing Finance Agency (“Minnesota Housing”) staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the “Terms”). The Terms are subject to Minnesota Housing’s Board of Directors’ approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Kasson Housing Group, LLC

Managing Member(s): Kasson Housing Partners, LLC

Development New construction of a 48-unit affordable housing development
Description/Purpose: located in Kasson, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (tax-exempt bond-funded)*	Bridge Loan (tax-exempt bond-funded)*	Economic Development and Housing Challenge (EDHC)
Loan Amount	\$2,490,000	\$5,640,000	\$8,375,000
Interest Rate	6.7%**	Bond financing rate + 1.0%	0%
Mortgage Insurance Premium (%)	Not Applicable	Not Applicable	Not Applicable
Term	24 months (construction) + 40 years	24 months	24 months (construction) + 40 years
Amortization / Repayment	40 years	Interest only during term based on the full amount of the loan	Deferred lump sum payment due in approx. 24 months (construction) + 40 years
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until August 1, 2025.	Prepay at any time without penalty.
Nonrecourse or Recourse	Nonrecourse	Recourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction to Permanent Loan
Lien Priority	First	Second	Third Position (during construction period), then second

*Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing.

** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.7% in consultation with the Finance Division.

The rate is subject to being reset at the then market rates if the loan does not close by August 15, 2024

February 9, 2024

Page 3

Origination Fee:	<ul style="list-style-type: none"> • LMIR loan: \$49,800 • Bond-funded Bridge Loan: \$28,200 (payable at the earlier of loan commitment or loan closing)
Construction Oversight Fee:	\$30,813 (payable at the earlier of loan commitment or loan closing)
Guaranty / Guarantor(s):	<p>LMIR loan: Completion, Repayment and Operations Guarantee from</p> <ul style="list-style-type: none"> • SCI Associates, LLC • Belisle Development, LLC • Ember Lake LLC <p>Bridge Loan: Completion, Repayment and Operations Guaranty from:</p> <ul style="list-style-type: none"> • SCI Associates, LLC • Belisle Development, LLC • Ember Lake LLC
Operating Deficit Escrow Reserve Account:	\$74,700 to be funded on the day of closing of the LMIR loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.
Operating Cost Reserve Account:	Capitalized operating reserve in the estimated amount of \$307,000 (as required by the syndicator) will be funded at after construction completion anticipated from third or fourth equity installment. The operating reserve will not be held by Minnesota Housing.
Replacement Reserve Account:	Monthly replacement reserve deposits will be required in the amount of \$1,800. The replacement reserve will be held by Minnesota Housing.
Escrows:	Real estate tax escrow and property insurance escrow to be established on the day of closing of the LMIR/HRS loan (outside of the development budget) and will be held by Minnesota Housing.
Collateral/Security:	Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

Rent and Income Requirements:

LMIR loan

- 48 units restricted as follows:
 - 20 units with rents and incomes not exceeding 60% MTSP
 - 12 units with unrestricted incomes
 - 16 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.
- Commitment to affordability in effect while the loan is outstanding.

EDHC

- 48 units with incomes not exceeding 60% MTSP and rents at 60% MTSP.
- Commitment to construction period plus 50 years of affordability from the date of loan closing.

HAP or Other Subsidy Agreement:

Commitment to construction period plus 10 years of affordability from the date of loan closing under the Housing Support Program for 9 units.

Other Occupancy Requirements:

None

Other Requirements:

The EDHC loan is subject to the terms in the attached Deferred Selection Criteria.

Closing Costs:

Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date:

This term letter will expire on the earlier of August 15, 2024 or loan closing/end loan commitment.

Additional Terms:

None

Other Conditions:

Subject to appraised value achieving a maximum 90% LTV

Board Approval:

Commitment of the loans under the LMIR and Bridge Loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.

Not a Binding

This letter is not a commitment to be bound by the Terms in

February 9, 2024

Page 5

Contract: this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to Callie Jirik at callie.jirik@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Susan Thompson at 651.442.4861 or susan.thompson@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,



James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

KASSON HOUSING GROUP, LLC

By:

Jamie J. Thelen, Secretary/Treasurer of SCI
Associates, LLC

Date Accepted: _____

Selection Criteria Related to 2022 RFP/2023 HTC Round 1

Project Name: Edge Apartments

Project City: Kasson

Property Number (D#): D8430

Project Number: M19085

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit. Projects that are 100% federally assisted are excluded.	At least 2% of units, with a minimum number of 1 unit, with rents restricted at or below the county 30% MTSP rent limit. Projects that are 100% federally assisted are excluded.	Number of Units <u>1</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard. The units must be evenly distributed by bedroom type. Projects that are 100% federally assisted are excluded.	At least 3% of units, with a minimum number of 1 unit, with rents restricted at or below the HAP payment standard. The units must be evenly distributed by bedroom type. Projects that are 100% federally assisted are excluded.	Number of Units <u>2</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
75% two or more bedrooms	<u>12</u>	75% two or more bedrooms	<u>12</u>	Number of 2 Bedrooms	<u>22</u>
Loan/HTC Commitment and Compliance Monitoring				Number of 3 Bedrooms	<u>10</u>
				Number of 4 Bedrooms	<u>4</u>
				Number of 5 Bedrooms	<u>0</u>
				Number of 6 Bedrooms	<u>0</u>

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The project will provide family housing that is not restricted to persons 55 years or older in which at least 75% of the affordable units contain two or more bedrooms. The Owner agrees to market to families with minor children.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Large Family Housing - 1/3 Units Four or More Bedrooms

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
1/3 of three or more bedrooms required above must contain four or more bedrooms.	<u>3</u>	1/3 of three or more bedrooms required above must contain four or more bedrooms.	<u>3</u>	Number of 4 Bedrooms	<u>4</u>
				Number of 5 Bedrooms	<u>0</u>
				Number of 6 Bedrooms	<u>0</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The project will provide family housing that is not restricted to persons 55 years or older in which at least one-third of the required three or more bedrooms contain four or more bedrooms.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Permanent Supportive Housing for High Priority Homeless

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
5% to 9.99% of the total units, but no fewer than 4 units	<u>7</u>	5% to 9.99% of the total units, but no fewer than 4 units	<u>7</u>	Number of Single Adult Units	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and HTC documents.

The Owner agrees that if units set aside for High Priority Homeless are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and HTC documents.

The Owner agrees units will be set aside and rented to High Priority Homeless who are a household prioritized for permanent supportive housing by Coordinated Entry System (HPH units) and targeted to the populations indicated.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units (Tier 1 or Tier 2) must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Permanent Supportive Housing for High Priority Homeless – CoC Priority 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Continuum of Care Household Type Priority One	<u>2</u>	Continuum of Care Household Type Priority One	<u>2</u>	Number of Units Priority Type: Single Adults

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units that the Owner agrees the project will target to Continuum of Care Household Type Priority One.

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
10% to 14.99% of the total units, but no fewer than 5 units	<u>9</u>	10% to 14.99% of the total units, but no fewer than 5 units	<u>9</u>	Number of Units

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and/or HTC documents.

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents.

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/extended use period (Declaration of Land Use Restrictive Covenants).

The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3):

- a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or

- b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or
- c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or
- d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or
- e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Rental Assistance

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
10.1 % to 20% of the total units, but no fewer than 4 units	<u>10</u>	10.1 % to 20% of the total units, but no fewer than 4 units	<u>10</u>	Number of Units	<u>9</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and/or HTC documents.

The owner will be required to continue renewals of project-based housing subsidy payments for a minimum of 10 years. The owner must continue renewals of existing project-based housing subsidy payment contract(s). The owner agrees that rents will remain affordable at 50% MTSP income limits for a 10-year period if rental assistance is not available for the full period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

For purposes of this category, project-based rental assistance is defined as project-specific funding stream that supports the operations of the property, reduces the tenant burden, and provides the tenant portion of rent to be no greater than 30% of household income except as approved by Minnesota Housing. The project must comply with the requirements in the Self-Scoring Worksheet.

Minnesota Housing, at its sole discretion, will consider rental assistance programs with alternative rent structures as proposed by the applicant, where households may pay more than 30% of their household income when the program goals align with the needs of low-income populations such as with the Moving to Work and site-based Housing Support programs.

Rental Assistance units cannot be used as Preservation or Serves Lowest Income Units.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Rental Assistance – Further Restricted Rental Assisted Units (FRRU)

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
15.1% to 25% of the total units	<u>4</u>	15.1% to 25% of the total units	<u>4</u>	Number of Units	<u>9</u>
Agenda Item: 7.B.			Attachment: Term Letter		

Page 50 of 316

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion. Specific performance requirement relief provisions are available for projects that meet the selection criterion and will be incorporated into the loan and/or HTC documents.

Owner agrees to further restrict units to households whose incomes do not exceed 30% of MTSP income limit for a 10-year period. The 10-year period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

The owner will be required to certify on an annual basis that the development complies with this criterion for the 10 year period.

Serves Lowest Income Tenants/Rent Reduction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
50% of the restricted unit rents at 50% HUD MTSP	<u>8</u>	50% of the restricted unit rents at 50% HUD MTSP	<u>8</u>	Number of Units	<u>24</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion.

The project must not exceed the gross rent levels for the term of the Loan/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

Units that have rental assistance cannot be used as a Serves Lowest Income Units. The owner will be required to certify on an annual basis that the rent restrictions comply.

Serves Lowest Income Tenants/Rent Reduction – 30% Further Restriction

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
5% to 9.99% of the restricted units	<u>4</u>	5% to 9.99% of the restricted units	<u>4</u>	Number of Units	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion.

The project must not exceed the gross rent levels for the term of the Loan/LURA. The period begins for HTC developments at the time of Placed in Service (PIS) or for deferred only loan transactions, the closing date.

The owner will be required to certify on an annual basis that the rent restrictions comply.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	
Long-term affordability for a minimum of 50 years	<u>9</u>	Long-term affordability for a minimum of 50 years	<u>9</u>	

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and waive their right to Qualified Contract for the applicable term and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2 Tracts or Cities	<u>8</u>	Tier 2 Tracts or Cities	<u>8</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job Growth Community	<u>6</u>	Top Job Center or Net Five Year Job Growth Community	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one half mile of a commuter rail station; and is available daily, Monday through Friday, providing same day service.	<u>7</u>	One half mile of a designated transit stop, or served by demand response/dial-a-ride, or within one half mile of a commuter rail station; and is available daily, Monday through Friday, providing same day service.	<u>7</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score between 30 and 49	<u>1</u>	Walk Score between 30 and 49	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Page 52 of 846
Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Contributes to active implementation of a Community Development Initiative	<u>3</u>	Contributes to active implementation of a Community Development Initiative	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Equitable Development

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Evidence that Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>		<u>0</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Rural/Tribal

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Rural/Tribal Designated Area	<u>4</u>	Rural/Tribal Designated Area	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Multifamily Award History

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Communities that have not received an award or allocation for the last five years	<u>4</u>	Communities that have not received an award or allocation for the last five years	<u>4</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Ownership: Two or more entities are BIPOCBE/WBE	<u>7</u>	Ownership: Two or more entities are BIPOCBE/WBE	<u>7</u>
Partnership: Partnership with a BIPOCBE/WBE entity with the goal of building the entity's capacity		Partnership: Partnership with a BIPOCBE/WBE entity with the goal of building the entity's capacity	

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan closing and/or 8609.

Financial Readiness to Proceed/Leveraged Funds

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
3.01% to 4.5% of funding secured	<u>6</u>	3.01% to 4.5% of funding secured	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the project's application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
1.0 to 3.4%	<u>2</u>	1.0 to 3.4%	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the project's application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
0.0 to 15%	<u>6</u>	0.0 to 15%	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)	
Buildings with an elevator	<u>3</u>	Buildings with an elevator	<u>3</u>	Elevator Building Units	<u>48</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Smoke Free Buildings	<u>1</u>	Smoke Free Buildings	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Enhanced Sustainability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tiers 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods and Tier 3: Project meets at least one alternative building performance pathways	<u>5</u>	Tiers 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods and Tier 3: Project meets at least one alternative building performance pathways	<u>5</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Total Developer Claimed: 134 **Total Agency Awarded:** 131



Item: Commitment, Low and Moderate Income Rental (LMIR) Loan, Bridge Loans (BL) and Funding Modification, Housing Infrastructure Bond (HIB) Loan - Walnut Towers, D3349, Mankato

Action Item: 7.C
Date: 02/22/2024
Staff Contacts: Erin Coons, 651.296.9836, erin.coons@state.mn.us
Request Type: Approval, Resolution

Request Summary

At the December 15, 2022 meeting, the Minnesota Housing board approved the proposed development for financing under the LMIR program in the amount of up to \$4,896,000 and a BL in an amount of up to \$9,318,000 in Resolution No. MHFA 22-102. At that same meeting, the development was selected for deferred funding up to \$1,282,000 under the HIB program under Resolution No. MHFA 22-103. Agency staff completed the underwriting and technical review of the proposed development and recommends:

1. Adoption of a resolution authorizing the issuance of a LMIR program commitment in the amount of up to \$5,530,000;
2. Adoption of a resolution authorizing the issuance of a BL commitment not to exceed \$4,060,000;
3. Adoption of a resolution authorizing the issuance of a non-bond funded BL commitment not to exceed \$2,065,000;
4. Adoption of a resolution modifying the loan under the HIB program, from \$1,282,000 to a maximum of \$2,480,000; and,

The development was also selected for deferred funding up to \$5,883,000 under the Preservation Affordable Rental Investment Fund (PARIF) program under Resolution No. MHFA 22-103. There are no changes to the PARIF loan and the loan is not subject to additional board action.

All commitments are subject to the terms and conditions of the Agency term letter.

Fiscal Impact

Minnesota Housing will earn interest rate spread income on the LMIR and the BL, as well as additional fee income. The non-bond funded BL will be funded from non-bond funded resources, and as such, Minnesota Housing will earn interest income on the loan without incurring financing expenses.

Minnesota Housing will not earn interest revenue of the HIB loan. As the debt service on the HIBs to be issued to finance the HIB loan is paid via state appropriations, there is also no interest expense to the Agency.

Minnesota Housing will earn additional fee income from originating the loans for this project.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input checked="" type="checkbox"/> Support People Needing Services |
| | <input checked="" type="checkbox"/> Strengthen Communities |

Attachments

- Development Summary
- Resolution
- Term letter

DEVELOPMENT SUMMARY

SECTION I: PROJECT DESCRIPTION AND RECOMMENDATIONS

Project Information			
Development Name	Walnut Towers	D#3349	M#19131
Address	105 East Walnut St.		
City	Mankato	County	Blue Earth
Date of Selection	12/15/2022	Region	Southwest

A. Project Description and Population Served

- The development involves the acquisition and substantial rehabilitation of 86 one-bedroom units in a nine-story elevator building in Mankato.
- The development will provide general occupancy housing for single and family households and will preserve federally assisted households under the Housing Infrastructure Bond preservation use.
- The development will serve households with incomes that range from 30% to 60% Multifamily Tax Subsidy Projects (MTSP)
- 86 units benefit from Project-based Section 8 rental assistance for seniors and people with disabilities.
- The project is anticipated to begin construction in May 2024 with rehab completion in May 2025.

B. Mortgagor Information

Ownership Entity:	Walnut Towers Limited Partnership
Sponsor:	Trellis Co.
General Partner(s)	Trellis Walnut Towers GP LLC
Guarantor(s):	Trellis Co.

C. Development Team Capacity Review

The sponsor, Trellis Co., has the experience and capacity to complete the project. The developer has utilized deferred loans and tax credits with proven success.

The property manager, Trellis Management Co., was established in 1989 and has numerous properties of similar size and type. The property manager has the capacity to manage this development.

LHB, Inc. is the architect and Frerichs Construction Company is the general contractor. Both have the capacity to effectively design and construct the project.

Both the management company and the developer represent Black, Indigenous, and People of Color-owned/Women-owned Business Enterprise (BIPOCBE/WBE).

D. Current Funding Request

Loan Type	Program	Source	Amount	IR	MIP	Term	Amort/ Cash Flow	Construction /End Loan
Amortizing	LMIR	TEB*	\$5,530,000	6.7% Est.	0.125%	24 mos. (construct ion) + 40 yrs.	40 yr	Construction to Permanent
Bridge	BL	TEB*	\$4,060,000	Bond rate + 1.0%.	N/A	24 mos.	N/A	Construction
Bridge	BL	Non- bond funded	\$2,065,000	6.375%	N/A	24 mos.	N/A	Construction
Deferred	HIB	HIB	\$2,480,000	0%	N/A	24 mos. (construct ion) +40 yrs.	N/A	Construction to Permanent

*Tax-exempt volume limited bonds.

1. Minnesota Housing LMIR first mortgage.

- The LMIR loan is anticipated be insured under the United States Department of Housing and Urban Development (HUD) Risk-Sharing program and may be securitized with the United States Department of the Treasury's Federal Financing Bank (FFB) via their partnership with HUD.

- The interest rate on the LMIR loan will be based on the bond rate at the time of the bond sale plus an interest rate spread set in consultation with the Finance Division, with a maximum of 6.7%.
 - The rate is subject to being reset at the then market rates if the loan does not close by August 15, 2024.
 - The LMIR loan will be funded with tax-exempt volume limited bonds.
 - Term of the loan will be 24 months in construction plus 40 years upon conversion to a permanent loan.
 - Commitment of this loan requires board action.
2. \$4,060,000 BL funded by tax-exempt bonds.
- The total tax-exempt volume limited bonds (LMIR and \$4,060,000 BL combined) are sized at approximately 53% to qualify the development for 4% Housing Tax Credits (HTCs).
 - Based on the anticipated schedule, the construction term includes six months of cushion.
 - The interest rate will be based on the bond rate at the time of sale plus an interest rate spread.
 - Commitment of this loan requires board action.
3. \$2,065,000 BL funded with non-bond funded Agency resources.
- The \$2,065,000 BL is needed to maintain bridge future equity pay-ins during construction. As such, it will be the last source disbursed.
 - The rate is subject to being reset at the then market rates if the loan does not close by August 15, 2024.
 - Commitment of this loan requires board action.
4. HIB deferred loan with interest anticipated to be 0% but up to 1% interest allowed, if requested.
- A funding modification is being requested to increase the loan amount from \$1,282,000 to \$2,480,000.

Amortizing Mortgage Loan to Cost: 22%

Amortizing Mortgage Loan to Value: TBD*

*An appraisal has been ordered and will be completed prior to closing. The maximum loan-to-value (LTV) permitted for the LMIR is 90%.

E. Significant Changes Since Date of Selection

The Agency financing has been revised to improve the efficiency of the funding structure. As now recommended, both the LMIR permanent loan and the \$4,060,000 BL will be funded with tax-exempt volume-limited bonds.

The total development cost (TDC) has increased by almost \$2,000,000. As part of the scope of work, the elevator will undergo extensive repairs and will be inoperable during a portion of the rehab, requiring the construction of an external temporary elevator which will be operated by a 24-hour attendant. This work has increased the budget by \$1,350,000. During this time, one unit on each floor must be vacated causing an increase in the temporary relocation budget of \$120,000. The remaining \$500,000 increase is due to increased cost in the final construction contract.

To assist with filling the gap the developer has increased its deferred fee by \$400,000. Staff recommends an increase of \$1,198,000 to a total of \$2,480,000 to fill the balance of the gap.

SECTION II: FINAL SOURCES AND USES; FINANCING DETAILS

A. Project Uses

Description	Amount	Per Unit
Acquisition or Refinance	\$ 7,913,634	\$ 92,019
Construction Costs	\$ 10,992,498	\$ 127,820
Environmental Abatement	\$ 107,507	\$ 1,250
Professional Fees	\$ 1,490,557	\$ 17,332
Developer Fee	\$ 2,515,859	\$ 29,254
Financing Costs	\$ 1,441,932	\$ 16,767
Total Mortgageable Costs	\$ 24,464,987	\$ 284,442
Reserves	\$ 337,815	\$ 3,928
Total Development Cost	\$ 24,799,802	\$ 288,370

B. Permanent Capital Sources

Description	Amount	Per Unit
LMIR First Mortgage	\$ 5,530,000	\$ 64,302
General Partner Cash	\$ 100	\$ 1
HTC Equity Proceeds (RBC Community Investments)	\$ 8,769,961	\$ 101,976
Agency Deferred Funding (PARIF)	\$ 5,883,000	\$ 68,407

Description	Amount	Per Unit
Agency Deferred Funding (HIB)	\$ 2,480,000	\$ 28,837
45L Energy Credits	\$ 213,729	\$ 2,485
City of Mankato Loan	\$ 375,000	\$ 4,360
Blue Earth County Loan	\$ 275,000	\$ 3,198
Interim Income	\$ 265,000	\$ 3,081
Rebates	\$ 233,012	\$ 2,709
Deferred Developer Fee	\$ 775,000	\$ 9,012
Total Permanent Financing	\$ 24,799,802	\$ 288,370

C. Financing Structure

The development will qualify for approximately \$1,026,000 of annual HTC's, which will result in equity proceeds from RBC Community Investments. The term of the Land Use Restrictive Agreement will be 50 years.

D. Cost Reasonableness

The predictive cost model is a tool that Minnesota Housing uses to identify, from a statistical perspective, proposed rental developments with unusually high costs. The model predicts the costs of a proposed development based on building characteristics and cost data from developments that the Agency has previously financed or to which it has issued tax credits and is benchmarked against industry-wide construction data. While the model is statistically robust, explaining 56% to 73% of the variation in historical costs, it cannot capture all components of every proposed project.

In accordance with Board Policy No. 15, if a project's proposed TDC is more than 25% higher than the predicted cost for new construction or 35% for preservation and adaptive reuse developments, staff must conduct additional due diligence and determine that the costs are still reasonable before seeking a cost waiver from the board.

Currently, the TDC per unit is \$243,868, which is below the predictive cost model estimate of \$251,290 by 3%.

SECTION III: UNDERWRITING

A. Rent Grid

Unit Type	Number	Net Rent*	Rent Limit (% of MTSP or AMI)	Income Limit (%, of MTSP or AMI)	Rental Assistance Source
1BR	5	\$ 1,070	30% MTSP	30% MTSP	Sect. 8 HAP
1BR	4	\$ 1,070	50% MTSP	50% MTSP	Sect. 8 HAP
1BR	72	\$ 1,070	60% MTSP	60% MTSP	Sect. 8 HAP
1BR	5	\$ 1,070	80% MTSP	80% MTSP	Sect. 8 HAP
Total	86				

*Net Rents are the underwriting rents and are net of a utility allowance. The underwriting rents may not reflect the maximum rent limits.

The restrictions under the Minnesota Housing programs will be as follows:

LMIR First Mortgage

- Eighty-Six units restricted as follows: at a minimum, 35 units with rents and incomes not exceeding 60% MTSP; 21 units may have unrestricted incomes and 30 units with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

HIB – Preservation

- Eighty-Six units with incomes not exceeding 60% MTSP and rents at 60% MTSP.

B. Feasibility Summary

All projects are underwritten within the Agency's underwriting guidelines, unless a modification is approved by the Mortgage Credit Committee. This includes management and operating expenses, vacancy rate, rent and income inflators, and annual replacement reserve contributions. Projects also undergo a sensitivity analysis on property operations to further enhance underwriting.

- Eighty-six units will benefit from Project-based Section 8 rental assistance for seniors and people with disabilities whereby tenants pay no more than 30% of their income toward rent.
- The project maintains positive cash flow for 15 years, with a projected debt coverage ratio in year 15 of 1.04.
- The project was underwritten at 5% vacancy, with 1.5% income and 3% expense inflators.

- The development includes a small commercial space for the organization PCs for People that is estimated to generate in \$16,800 annual rent. They have been a long-term tenant of the building and income has been underwritten with a 20% vacancy.
- An operating reserve in the amount of \$337,815 will be funded from syndication proceeds after completion of the rehabilitation.
- An operating deficit escrow of \$165,900 will be required (funded outside of the development budget).
- Replacement reserves will be funded from project operations in the amount of \$3,225 per month or \$38,700 annually.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

RESOLUTION NO. MHFA 24-xxx

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT
LOW AND MODERATE INCOME RENTAL (LMIR) PROGRAM
BRIDGE LOAN (BL) PROGRAM**

WHEREAS, the Minnesota Housing Finance Agency (Agency) has received an application to provide construction and permanent financing for a multiple unit housing development to be occupied by persons and families of low and moderate income, as follows:

Name of Development: Walnut Towers

Sponsors: Trellis Co.

Guarantors: Trellis Co.

Location of Development: Mankato

Number of Units: 86

Amount of LMIR Mortgage: \$5,530,000
(not to exceed)

Amount of BL (bond funded) \$4,060,000
(not to exceed)

Amount of non-bond funded BL \$2,065,000
(not to exceed)

WHEREAS, Agency staff has determined that such applicant is an eligible sponsor under the Agency's rules; that such permanent mortgage loan is not otherwise available, wholly or in part, from private lenders upon equivalent terms and conditions; and that the acquisition and rehabilitation of the development will assist in fulfilling the purpose of Minn. Stat. ch. 462A; and

WHEREAS, Agency staff has reviewed the application and found the same to be in compliance with Minn. Stat. ch. 462A and Agency's rules, regulations and policies;

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to issue a commitment to provide construction and permanent mortgage loans to the sponsor or an affiliate thereof from the proceeds of Rental Housing Bonds (if authorized by the Board) and a \$2,065,000 BL funded from non-bond resources of the for the indicated development, upon the following terms and conditions:

1. This authorization shall expire on August 15, 2024; and

2. The amount of the LMIR amortizing loan shall not exceed \$5,530,000; and
3. The term of the LMIR loan shall be 40 years plus up to 24 months interest only construction period; and
4. The interest rate on the LMIR loan shall be based on the interest rate on the Rental Housing Bonds issued to finance the loans plus a spread, not to exceed 6.70% (subject to change, as set forth in the attached Agency term letter dated February 9, 2024); and
5. Interest-only payments will be payable monthly during the 24-month construction period, after which the loan will commence monthly principal and interest payments over the remaining 40-year term (based on a 40-year amortization), plus 0.125% per annum HUD Risk-Sharing Mortgage Insurance Premium; and
6. The amount of the bond funded BL shall not exceed \$4,060,000; and
7. The LMIR and the \$4,060,000 BL transaction will be financed with the proceeds of tax-exempt Rental Housing Bonds of the Agency, and the commitment is subject to the ability of the Agency to sell bonds on terms and conditions, and in a time and manner, acceptable to the Agency; and
8. The interest rate on the \$4,060,000 BL will be based on the interest rate on the Rental Housing Bonds issued to finance the loan plus a spread and will be payable monthly, with the principal due in a balloon payment no more than 24 months after closing; and
9. The \$4,060,000 BL commitment will expire on before August 15, 2024 ; and
10. The non-bond funded BL shall not exceed \$2,065,000 and will be financed with Agency non-bond funded resources; and
11. The interest rate on the \$2,065,000 BL will 6.375% payable monthly (subject to change, as set forth in the attached Agency term letter), and the principal will be due in a balloon payment no more than 24 months after closing (to be co-terminus with the bond funded BL); and
12. The mortgagor shall comply with the terms set forth in the attached Agency term letter. The Commissioner is authorized to approve non-material modifications to those terms; and
13. The mortgagor shall execute documents embodying the above in form and substance acceptable to Agency staff; and
14. Sponsor shall guarantee the mortgagor's payment obligation regarding operating cost shortfalls and debt service until the property has achieved a 1.11 debt service coverage ratio (assuming stabilized expenses) for three successive months; and
15. Sponsor shall guarantee the mortgagor's payment under the LMIR Regulatory Agreement and LMIR Mortgage (other than principal and interest) with the Agency; and
16. The sponsor, the general contractor, the architect, the mortgagor, and such other parties as Agency staff in its sole discretion deems necessary, shall execute all such documents relating to said loans,

to the security therefore, to the construction of the development, and to the operation of the development, as Agency staff in its sole discretion deems necessary.

Adopted this 22nd day of February 2024

CHAIR

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 24-xxx
Modifying Resolution No. MHFA 22-103**

**RESOLUTION APPROVING MORTGAGE LOAN COMMITMENT MODIFICATION
HOUSING INFRASTRUCTURE BOND (HIB) PROGRAM**

WHEREAS, the Board has previously authorized a commitment for the Walnut Towers development by its Resolution No. MHFA 22-103; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies, and;

WHEREAS, Agency staff has determined that there are increased development costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Board hereby authorizes Agency staff to modify the commitment for the indicated development, subject to the revisions noted:

1. The Housing Infrastructure Bond loan shall not exceed \$2,480,000.
2. All other terms and conditions of Resolution No. MHFA 22-103 remain in effect.

Adopted this 22nd day of February 2023

CHAIR



**400 Wabasha Street North, Suite
400 St. Paul, MN 55102**
P: 800.657.3769
F: 651.296.8139 | **TTY:**
 651.297.2361
www.mnhousing.gov

February 9, 2024

Elizabeth Flannery
 Trellis Co.
 614 1st St N Ste 100
 Minneapolis, MN 55401

RE: Term Letter
 Walnut Towers, Mankato
 Development # D3349, Project # M19131

Dear Elizabeth Flannery:

Minnesota Housing Finance Agency (“Minnesota Housing”) staff has approved your request for a loan or loans subject to the terms and conditions contained in this letter (the “Terms”). The Terms are subject to Minnesota Housing’s Board of Directors’ approval and meeting all underwriting standards, delivery of required due diligence items, satisfactory loan documentation and other loan closing requirements. The Terms do not constitute a commitment to lend on the part of Minnesota Housing and relate only to the specific financing referenced in this letter.

Borrower: A single asset entity: Walnut Towers Limited Partnership

General Partner(s) Trellis Walnut Towers GP LLC
Managing Member(s):

Development Acquisition and rehabilitation of an 86-unit affordable housing
Description/Purpose: development located in Mankato, Minnesota

Minnesota Housing Loan Type/Terms

Program	Low and Moderate Income Rental Program (LMIR) (HUD Risk- Sharing) (tax-exempt bond-funded)*	Bridge Loan (tax-exempt bond-funded)*	Bridge Loan (Not bond funded)	Preservation Affordable Rental Investment Fund (PARIF)	Housing Infrastructure Bonds (HIB)
Loan Amount	\$5,530,000	\$4,060,000	\$2,065,000	\$5,883,000	\$2,480,000
Interest Rate	<u>6.7%</u> **	Bond financing rate + 1.0%	6.375%	0%	0%
Mortgage Insurance Premium (%)	.125% (first year premium is paid in advance)	Not Applicable	Not Applicable	Not Applicable	Not Applicable

February 9, 2024

Page 2

Term	24 months (construction) + 40 years	24 months	24 months	24 months (construction) + 40 years	24 months (construction) + 40 years
Amortization / Repayment	40 years	Interest only during term based on the full amount of the loan	Interest only during term based on the outstanding principal balance of the loan	Deferred lump sum payment due in approx. 24 months (construction) + 40 years.	Deferred lump sum payment due in approx. 24 months (construction) + 40 years.
Prepayment Provision	No prepayment first 10 years from date of the Note.	No prepayment until July 1, 2025.	Prepay at any time without penalty.	Prepay at any time without penalty.	Prepay at any time with prior written approval.
Nonrecourse or Recourse	Nonrecourse	Recourse	Recourse	Nonrecourse	Nonrecourse
Construction to Permanent Loan, Construction Bridge Loan or End Loan	Construction to Permanent Loan	Construction Bridge Loan	Construction Bridge Loan	Construction to Permanent Loan	Construction to Permanent Loan
Lien Priority	First	Second (during construction period)	Third (during construction period)	Forth (Second after construction period)	Fifth (third after construction period)

*Subject to the ability of Minnesota Housing to sell bonds on terms and conditions, and in a time and manner, acceptable to Minnesota Housing. The maximum rate is subject to being reset.

** The interest rate on the LMIR loan will be based on the bond rate at the time of sale plus a spread, with a maximum of 6.7% in consultation with the Finance Division.

The rate is subject to being reset at the then market rates if the loan does not close by August 15, 2024.

Origination Fee: LMIR HUD Risk Share Loan: \$105,300
Bond-funded Bridge Loan: \$20,300
Nonbond-funded Bridge Loan: \$10,325
HIB Loan: \$24,800
(payable at the earlier of loan commitment or loan closing)

Construction Oversight Fee: \$24,983 (payable at the earlier of loan commitment or loan closing)

**Guaranty /
Guarantor(s):**

- Bridge Loan(s): Completion, Repayment and Operations Guaranty from Trellis Co.

- LMIR Permanent Loan: Completion, Repayment and Operations Guaranty from Trellis Co.

**Operating Deficit
Escrow Reserve
Account:**

\$165,900 to be funded on the day of closing of the LMIR/HRS loan by cash or letter of credit (outside of the development budget) to be held by Minnesota Housing.

**Operating Cost
Reserve Account:**

Capitalized operating reserve estimated in the amount of \$337,815 funded at after construction completion anticipated from second equity installment. The operating reserve will not be held by Minnesota Housing.

**Replacement
Reserve Account:**

Monthly replacement reserve deposits will be required in the amount of \$3,225. The replacement reserve will be held by Minnesota Housing.

Escrows:

Real estate tax escrow and property insurance escrow to be established on the day of closing of the LMIR/HRS loan (outside of the development budget) and will be held by Minnesota Housing.

Collateral/Security:

Mortgage and Assignment of Rents and Leases for each loan; UCC-1 Financing Statement on fixtures, personal property, accounts and equipment.

**Rent and Income
Requirements:**

The following restrictions under the Minnesota Housing programs will be as follows:

LMIR 1st Mortgage

- 86 units restricted as follows: at a minimum, 35 units with rents and incomes not exceeding 60% MTSP; up to 21 units may have unrestricted incomes and the balance of units 30 with incomes equal to or less than 100% of the greater of area or statewide median income as determined by HUD.

PARIF

- 86 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. Notwithstanding

February 9, 2024

Page 4

these restrictions, in no case may the initial income exceed 80% of the statewide median income as determined by HUD.

HIB – Preservation

- 86 units with incomes not exceeding 60% MTSP and rents at 60% MTSP. Notwithstanding these restrictions, in no case may the initial income exceed 80% of the greater of state or area median income as determined by HUD, and the rents may not exceed the Affordable to the Local Workforce rent limits, as published by MHFA.
- **FOR DEFERRED LOANS:** Commitment to construction period plus 50 years of affordability from the date of loan closing.
- **FOR LMIR** Commitment to affordability in effect while the loan is outstanding.

HAP or Other Subsidy Agreement:

Commitment to construction period plus 40 years of affordability from the date of loan closing under the HUD Section 8 Program for 86 units.

Other Occupancy Requirements:

None

Other Requirements:

The deferred program acronym loan is subject to the terms in the attached Deferred Selection Criteria.

The PARIF mortgagor will enter into an agreement with the Agency that complies with Minn. Stat. § 462A.21 and the requirements and/or rider to the appropriation providing funds for the given year.

Closing Costs:

Borrower agrees to pay all closing costs related to the specific financing referenced in this letter.

Expiration Date:

This term letter will expire on the earlier of August 15, 2024 or loan closing/end loan commitment.

Additional Terms:

None

- Other Conditions:** Subject to appraised value achieving a maximum 90% LTV
- Board Approval:** Commitment of the loans under the LMIR program and Bridge Loans are subject to Minnesota Housing's board approval and adoption of a resolution authorizing the commitment of the loans.
- Not a Binding Contract:** This letter is not a commitment to be bound by the Terms in this letter. The parties expressly agree that this letter does not create a legally binding agreement. The parties further agree that the Terms are subject to the Borrower's ability to obtain all necessary financing for the Development, which may include additional financing from Minnesota Housing not referenced in this letter.

Please sign this letter and return it to LaKisha Whitson at Lakisha.Whitson@state.mn.us on or before 10 business days from date of this letter.

If you have any questions related to this letter, please contact Erin Coons at erin.coons@state.mn.us.

We appreciate the opportunity to work with you on your affordable housing development.

Sincerely,



James Lehnhoff
Assistant Commissioner, Multifamily

AGREED AND ACCEPTED BY:

WALNUT TOWERS LIMITED PARTNERSHIP

By:

Elizabeth Flannery, Executive Director

Date Accepted: _____

Selection Criteria Related to 2022 RFP/2023 HTC Round 1
Project Name: Walnut Towers

Project City: Mankato

Property Number (D#): D3349

Project Number: M19131

Deeper Rent Targeting A

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Deeper Rent Targeting B

Developer Claimed Criteria	Agency Confirmed Criteria	Number of Units (Agency Validated)
Project excluded because 100% of units include project based rental assistance.	Project excluded because 100% of units include project based rental assistance.	

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/Declaration of Land Use Restrictive Covenants Agreement (LURA).

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

People with Disabilities – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
15% to 25% of the total units, but no fewer than 6 units	<u>10</u>		<u>0</u>	Number of Units <u>0</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include the number of units required to meet this criterion for the term of the loan/LURA. Specific performance requirement relief provisions are available for projects that meet the selection criterion and may be incorporated into the loan and/or HTC documents.

The Owner agrees units will be set aside and rented to households with a disability with income limits at 30% MTSP. The Owner also agrees that if units set aside for People with Disabilities are occupied by households without rental assistance, the gross rents, including an allowance for tenant-paid utilities cannot exceed the required rent restrictions set out in the Self-scoring Worksheet and will be incorporated into the loan and/or HTC documents.

Units cannot be restricted to persons of a particular age group and must be provided in an integrated setting for the term of the loan/extended use period (Declaration of Land Use Restrictive Covenants).

The units must be set aside and rented to persons with the following disabilities in a manner consistent with Minnesota Statutes, Section 462A.222, subdivision 3, subparagraph (d)(3):

- a. A serious and persistent mental illness as defined in MN Statutes Section 245.462, Subdivision 20, Paragraph C; or
- b. A developmental disability as defined in United States Code, Title 42, Section 6001, Paragraph (5), as amended; or
- c. Assessed as drug dependent persons as defined in MN Statute Section 254A.02, Subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in MN Statute Section 254A.02, Subdivision 2; or
- d. A brain injury as defined in MN Statute Section 256B.093, Subdivision 4, Paragraph (a); or
- e. Permanent physical disabilities that substantially limit major life activities, if at least 50 percent of the units in the Project are accessible as provided under Minnesota Rules, Chapter 1341.

Permanent Supportive Housing for High Priority Homeless and People with Disabilities units must be distinct and cannot be layered.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Preservation- Existing Federal Rental Assistance – Tier 1

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
100% of Units	<u>40</u>	100% of Units	<u>40</u>	Number of Units <u>86</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may require the Owner to continue renewals of existing project-based housing subsidy payment contracts(s) for as long as the assistance is available. Except for “good cause,” the Owner must not evict existing subsidized residents and must continue to renew leases for those residents.

Preservation units cannot be used as a Rental assistance Unit. Preservation Tier 1 units cannot be used as a Serves Lowest Income Unit.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Long Term Affordability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Long-term affordability for a minimum of 50 years	<u>9</u>	Long-term affordability for a minimum of 50 years	<u>9</u>

Loan/HTC Commitment and Compliance Monitoring

Owner agrees to extend the term of the LURA and waive their right to Qualified Contract for the applicable term and/or the deferred loan project will extend the term of the deferred loan declaration beyond 30 years.

Need for More Affordable Housing Options

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tier 2 Tracts or Cities	<u>8</u>	Tier 2 Tracts or Cities	<u>8</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Workforce Housing Communities

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Top Job Center or Net Five Year Job Growth Community	<u>6</u>	Top Job Center or Net Five Year Job Growth Community	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Transit and Walkability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
One quarter mile of a planned or existing public transportation fixed route stop	<u>7</u>	One quarter mile of a planned or existing public transportation fixed route stop	<u>7</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Walk Score of 70 or more	<u>2</u>	Walk Score of 70 or more	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Community Development Initiative

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Contributes to active implementation of a Agenda Item: 7.C	<u>3</u>	Contributes to active implementation of a Community Development	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Equitable Development

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Evidence that Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>	Evidence that Communities Most Impacted by housing disparities have a role in the project proposal and qualifying stakeholder groups.	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

QCT/Community Revitalization, Tribal Equivalent Areas, and Opportunity Zones

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>	QCT Community Revitalization Area, Tribal Equivalent Area, or Opportunity Zone	<u>3</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and must be maintained through loan closing and/or 8609.

Black, Indigenous and People of Color-owned/Women-owned Business Enterprise

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Ownership: Two or more entities are BIPOCBE/WBE Partnership: Partnership with a BIPOCBE/WBE entity with the goal of building the entity's capacity	<u>1</u>	Ownership: Two or more entities are BIPOCBE/WBE Partnership: Partnership with a BIPOCBE/WBE entity with the goal of building the entity's capacity	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the deferred loan closing and/or 8609.

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
10.51% or more of funding secured	<u>16</u>	10.51% or more of funding secured	<u>16</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted permanent funding commitments indicated in the project's application. The Funding commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Other Contributions

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
8.1 to 10.0%	<u>8</u>	6.1 to 8.0%	<u>6</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection based on submitted commitments indicated in the project's application. The commitments, or an equivalent commitment, must be maintained and will be monitored through the loan closing and/or 8609.

Intermediary Costs

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
20.1 to 25%	<u>2</u>	20.1 to 25%	<u>2</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be monitored through the loan closing and/or 8609.

Universal Design

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points	Number of Units (Agency Validated)
Buildings with an elevator	<u>3</u>	Buildings with an elevator	<u>3</u>	Elevator Building Units <u>86</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Smoke Free Building

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Smoke Free Buildings	<u>1</u>	Smoke Free Buildings	<u>1</u>

Loan/HTC Commitment and Compliance Monitoring

The deferred loan and/or HTC document(s) may include that the owner must maintain a smoke free policy and include a non-smoking clause in the lease for every household for the term of the loan/LURA.

The owner will be required to certify on an annual basis that the development complies with this criterion for the term of the loan and/or LURA.

Enhanced Sustainability

Developer Claimed Criteria	Developer Claimed Points	Agency Confirmed Criteria	Agency Awarded Points
Tiers 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods and Tier 3: Project meets at least one alternative building performance pathways	<u>5</u>	Tiers 2: Project includes at least 3x the minimum number of optional criteria points in the Intended Methods and Tier 3: Project meets at least one alternative building performance pathways	<u>5</u>

Loan/HTC Commitment and Compliance Monitoring

Eligibility was determined at the time of selection and will be validated during the underwriting phase and architectural review.

Total Developer Claimed: 133 Total Agency Awarded: 121



Item: Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 A-1 and 2024 A-2 (Edge Apartments)

Action Item: 7.D
Date: 02/24/2024
Staff Contacts: Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
 Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed rate bonds under the existing Rental Housing indenture. The bonds will be issued in two series, to make a short-term first lien bridge mortgage loan and a long-term Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and construction of Edge Apartments, a 48 unit multifamily housing development located in Kasson, MN. The Agency anticipates pricing and issuing the bonds described in the attached Preliminary Official Statement in the second quarter of the 2024 calendar year.

Fiscal Impact

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the associated loans.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Preliminary Official Statement
- Resolution

NEW ISSUE

Ratings: Moody's: "___"
S&P: "___"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$8,130,000*****MINNESOTA HOUSING FINANCE AGENCY****\$2,490,000* Rental Housing Bonds, 2024 Series A-1 (Non-AMT)****\$5,640,000* Rental Housing Bonds, 2024 Series A-2 (Non-AMT)****Dated: Date of Delivery****Due: as shown on inside front cover***Tax Exemption*

Interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user" of the facilities financed by the Series Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption and, with respect to the 2024 Series A-1 Bonds, by sinking fund redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing August 1, 2024.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2024* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2024.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES***\$2,490,000* 2024 Series A-1 Bonds**

\$____,000* ____ % Series A-1 Term Bonds Due August 1, ____* (CUSIP **)

\$____,000* ____ % Series A-1 Term Bonds Due August 1, ____* (CUSIP **)

\$____,000* ____ % Series A-1 Term Bonds Due August 1, ____* (CUSIP **)

\$____,000* ____ % Series A-1 Term Bonds Due August 1, ____* (CUSIP **)

\$5,640,000* 2024 Series A-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
____ 1, 2026*	\$____,000*	____ %	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities 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 the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. 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	4	<u>APPENDIX B-2</u>	
THE AGENCY	5	FINANCIAL STATEMENTS OF CERTAIN FUNDS OF	
THE DEVELOPMENT	14	THE AGENCY (EXCLUDING STATE APPROPRIATED	
THE SERIES BONDS	15	AND FEDERAL APPROPRIATED FUNDS) AS OF	
SECURITY FOR THE BONDS	18	DECEMBER 31, 2023 AND FOR THE SIX MONTHS	
THE RENTAL HOUSING PROGRAM	20	THEN ENDED (UNAUDITED).....	B-2-1
OTHER PROGRAMS	28	<u>APPENDIX C</u>	
TAX EXEMPTION AND RELATED		SUMMARY OF CONTINUING DISCLOSURE	
CONSIDERATIONS.....	28	UNDERTAKING.....	C-1
LITIGATION	29	<u>APPENDIX D</u>	
LEGAL MATTERS	30	SUMMARY OF CERTAIN PROVISIONS OF THE	
FINANCIAL ADVISOR	30	BOND RESOLUTION	D-1
RATINGS	30	<u>APPENDIX E</u>	
TRUSTEE.....	30	BOOK-ENTRY-ONLY SYSTEM.....	E-1
UNDERWRITING	31	<u>APPENDIX F</u>	
MISCELLANEOUS	31	FORM OF OPINION OF BOND	
<u>APPENDIX A</u>		COUNSEL.....	F-1
DESCRIPTION OF OUTSTANDING MORTGAGE			
LOANS AND DEVELOPMENTS PREVIOUSLY			
FINANCED BY RENTAL HOUSING BONDS AND			
MORTGAGE LOANS AND DEVELOPMENTS			
PLEGGED AS ADDITIONAL SECURITY UNDER THE			
RENTAL HOUSING BOND RESOLUTION			
INCLUDING THOSE INTENDED TO BE FINANCED			
WITH PROCEEDS OF THE SERIES BONDS	A-1		
<u>APPENDIX B-1</u>			
AUDITED FINANCIAL STATEMENTS OF THE			
AGENCY AS OF JUNE 30, 2023	B-1-1		

OFFICIAL STATEMENT

relating to
\$8,130,000*

MINNESOTA HOUSING FINANCE AGENCY
\$2,490,000* Rental Housing Bonds, 2024 Series A-1 (Non-AMT)
\$5,640,000* Rental Housing Bonds, 2024 Series A-2 (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2024 Series A-1 in the principal amount of \$2,490,000* (the “Series A-1 Bonds”) and its Rental Housing Bonds, 2024 Series A-2 in the principal amount of \$5,460,000* (the “Series A-2 Bonds” and together with the Series A-1 Bonds, the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted [February 22], 2024 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$77,850,000 as of January 31, 2024, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-

*Preliminary, subject to change.

term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds to fund a first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition and construction of a multifamily housing development in Kasson, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expired January 2024,* Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expired January 2024,* St. Paul, Minnesota – Program Director

*Continues to serve until a successor is appointed and qualified.

Staff

The staff of the Agency presently consists of approximately 300 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation

for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Michael Solomon — Chief Financial Officer, appointed effective August 2022. In this position, Mr. Solomon leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position he served as Treasurer of the City of Saint Paul overseeing financial operations including cash, investment and debt management in addition to significant work in economic development and financial empowerment. He held other roles in the City's Office of Financial Services from 2012 to 2017 including Debt Manager leading the issuance of debt obligations from a variety of credits utilizing innovative financing tools. Mr. Solomon worked for a local municipal financial advisory and consulting firm from 2008 to 2012 specializing in the issuance and management of municipal debt. He received his degree in Financial Management from the University of St. Thomas in Saint Paul, Minnesota and is an active member of the Government Finance Officers Association, serving on its Treasury and Investment Management committee contributing to best practices and guidance used across the industry.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Irene Kao — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2023, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2023. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2023 are presented in combined “Agency-wide” form followed by “fund” financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board (“GASB”).

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 71 through 74 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2023, with respect to MSRS was \$11.271 million. The Agency’s total net pension liability and post-employment benefits liability was \$13.428 million as of June 30, 2023.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the six months ended December 31, 2023. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2024, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. In addition, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency’s Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency’s Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those

financial obligations and its failure to file to all CUSIPS of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors/disclosure.html>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$492.196 million, representing the combined net position of these funds so calculated as of June 30, 2023. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts

credited thereto as of June 30, 2023 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the six-month period ended December 31, 2023 (unaudited) (in thousands):

	Six months Ended December 31, 2023 (unaudited)	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022
Revenues			
Fees earned and other income ⁽¹⁾	\$8,205	\$14,901	\$12,372
Interest earned on investments	588	823	157
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>24,276</u>	<u>34,959</u>	<u>31,161</u>
Total revenues	33,069	50,673	43,690
Expenses			
Salaries and benefits	19,544	29,219	17,676
Other general operating expenses	6,153	5,574	4,282
Interest	<u>157</u>	<u>359</u>	<u>423</u>
Total expenses	25,854	35,152	22,381
Revenues over expenses	7,215	15,521	21,309
Non-operating transfer of assets between funds ⁽⁴⁾	(7,534)	(14,922)	(22,153)
Change in net position	(319)	599	(844)
Net position beginning of period	<u>9,490</u>	<u>8,891</u>	<u>9,735⁽⁵⁾</u>
Net position end of period	<u>\$ 9,171</u>	<u>\$9,490</u>	<u>\$8,891</u>

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings “Interfund Transfers” and “Net Position Restricted by Covenant” in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, through June 30, 2023, the total appropriations to the Agency aggregated approximately \$562.15 million. For the biennial period ending June 30, 2025, the Legislature has appropriated approximately \$1.065 billion to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of January 31, 2024:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	\$ 78,590	\$ 77,850
Residential Housing Finance Bonds	85	2054	4,817,140	3,358,345
Homeownership Finance Bonds	59	2052	2,674,572	976,674
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,380
Totals	156		\$7,585,302	\$4,425,249

*Does not include series of bonds or the original principal amount of any bonds that had been, as of January 31, 2024, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate (“SOFR”), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the

Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$515,000,000. The Agency has issued 32 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2023 in an aggregate principal amount of \$498,130,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021, a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 and a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 2023 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the “2018 Revolving Credit Indenture”), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 27, 2024, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.65%) and may not exceed \$75,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[1,189,879,799, \$17,207,136] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on

computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series A-1 Bonds to make a long-term first lien Mortgage Loan and the proceeds of the Series A-2 Bonds to make a short-term second lien Mortgage Loan that will finance a portion of the costs of the acquisition and construction of a multifamily housing development. The Development, known as Edge Apartments, will be the acquisition and construction of a three-story elevator building, in Kasson, Minnesota, providing both family general occupancy and supportive housing units. The Development will have 48 residential units. The total development cost is estimated to be approximately \$16.41 million. The Development is expected to be completed by August 2025. The Development will be acquired and constructed by Kasson Housing Group, LLC, a Minnesota limited liability corporation.

The Agency expects to use the proceeds of the Series A-1 Bonds to be deposited in the Mortgage Loan Account to make a fully amortizing first lien Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The first Mortgage Loan, in the principal amount of \$2.490 million,* will be amortized in level monthly payments of principal and interest over a term of 40 years, commencing on _____* and concluding on _____. The first lien Mortgage Loan has been established in an amount estimated to be supported by the net operating income of the Development together with tax increment financing revenue from the city of Kasson. The Agency will also make a non-amortizing second lien bridge Mortgage Loan with respect to the Development, which is also expected to close on the date of issuance of the Series Bonds and will mature in full on _____* in the total principal amount of \$5.640 million,* from the proceeds of the Series A-2 Bonds. The Mortgage Loans will not be insured but will be secured in part by completion, repayment and operations guaranties from SCI Associates, LLC, Belisle Development, LLC and Ember Lake LLC. The Agency will also make a zero percent deferred payment loan in the aggregate principal amount of \$8.375 million* for the benefit of the Development. The bridge Mortgage Loan is expected to be repaid from a portion of that loan together with equity contributions from the tax credit investor.

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy

in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 50 years.

Nine of the units in the Development, five units for persons with disabilities and four units for single adults meeting the definition of high priority homelessness, will be benefitted by Housing Support rental assistance provided by Minnesota Prairie County Alliance.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$8,130,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$_____.</u>

Uses:

Series A Mortgage Loan Account	\$8,130,000*
Revenue Fund	_____
Debt Service Reserve Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$_____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, Minneapolis, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series A-1 Bonds will be issued as term bonds in the denominations of \$5,000 or any integral multiple thereof each of a single stated maturity. The Series A-2 Bonds will be issued as bonds of a single stated maturity in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

Each series of the Series Bonds bears interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2024,* at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price of those Series Bonds. As long as a series of the Series Bonds is in book-entry form, interest on those Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

*Preliminary, subject to change.

Sinking Fund Redemption of Series A-1 Bonds

The Series A-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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The Series A-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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The Series A-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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The Series A-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus

*Preliminary, subject to change.

accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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Upon optional redemption of Series A-1 Bonds or any purchase and cancellation thereof by the Agency, the principal amount of such Series A-1 Bonds so redeemed or purchased may be credited toward one or more Sinking Fund Installments thereafter to become due on Series A-1 Bonds in the manner specified by the Agency. The portion of any Sinking Fund Installment remaining after the deductions credited to such payments is the unsatisfied balance of such Sinking Fund Installment with respect to the Series A-1 Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development; and (iii) with respect to the Series A-1 Bonds, in the event the Agency receives a Prepayment relating to the Development upon a determination by HUD that such Prepayment will avoid a mortgage insurance claim and is therefore in the best interests of the federal government. The Agency will apply any unexpended proceeds, Recovery Payments or Prepayments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments or Prepayments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments or Prepayments.

Optional Redemption

The Agency may redeem the Series A-1 Bonds at its option, in whole or in part, on any date on or after _____ 1, 2034,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. The Agency may redeem the Series A-2 Bonds at its option, in whole or in part, on any date on or after _____ 1, 2025,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the series and principal amount of the Series Bonds to be redeemed. If less than all Series Bonds of a series are to be redeemed, the Series Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

*Preliminary, subject to change.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to

generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption “Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments” in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of December 31, 2023 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Requirement for the Series A-1 Bonds is \$_____,* which is equal to the maximum annual debt service payable on Outstanding Series A-1 Bonds in any future fiscal year of the Agency. Upon issuance of the Series A-1 Bonds, cash or Investment Obligations valued at not less than \$_____,* as calculated under the Bond Resolution, and acquired with Agency funds, not proceeds of the Series Bonds, will be deposited into the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the Series A-1 Bonds.

No funds will be credited to the Debt Service Reserve Fund with respect to the Series A-2 Bonds (and the Debt Service Reserve Requirement in respect of the Series A-2 Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the short-term portion of the Mortgage Loan funded by the Series A-2 Bonds will be secured as described under “The Development.”

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$_____* and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes

*Preliminary, subject to change.

which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency

....

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

—Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)

—Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

—Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of December 31, 2023 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of December 31, 2023

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments/Asset Management Program*	9	656	\$17,252,925	9.14%
Low and Moderate Income Rental Program**	64	4,251	170,361,479	90.21
Market Rate Mortgage Loan Program...	<u>2</u>	<u>163</u>	<u>1,228,523</u>	<u>0.65</u>
	<u>75</u>	<u>5,070</u>	<u>\$188,842,927</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 538 aggregate units and an aggregate outstanding loan amount of \$16,124,031.

**Includes 39 HUD Risk-Sharing loans for Developments with 2,696 aggregate units and an aggregate outstanding loan amount of \$77,893,212, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,771,843 that was a refinance of an existing third-party loan, and eight bridge loans for Developments with 490 units and an aggregate outstanding loan amount of \$65,000,000, including one bridge loan for a Development with 52 units and an aggregate outstanding loan amount of \$10,640,000 that is not bridging a Low and Moderate Income end loan.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

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

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the

initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated

annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in

that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year's rent levels through the use of comparability studies, and that the "initial difference" referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD's Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to "market rents." This Guidebook also provides the opportunity for debt restructuring by HUD's Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor ("OCAF") rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under "Adjustments in Contract Rents," Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD's Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent ("FMR") or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract ("ACC") with HUD as a Performance-Based Contract Administrator ("PBCA") for the contract administration of a portion of HUD's project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract

for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through July 31, 2024. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency’s Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency’s Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent’s proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.

- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See “Tax Exemption and Related Considerations.”)

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Series Bonds – Federal Tax Matters

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a “substantial user” of the facilities financed by the Series Bonds or a “related person” within the meaning of Section 147(a) of the Code, and interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series Bonds. Failure to comply with such requirements could cause interest on the Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series Bonds.

The accrual or receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the owners of the Series Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix F.

State Tax Matters

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

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

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds

or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

The Underwriter is a subsidiary of Royal Bank of Canada.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement 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. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

_____, 2023.

By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION**

AS OF DECEMBER 31, 2023

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
BOSSER PARK APTS	Minneapolis	6.680 %	\$ 1,092,310	\$ -	\$ 115,464	02/01/30	LMIR/HRS	N/A	0	110
BREWERY CREEK	Duluth	4.300	10,640,000	8,029,867	-	01/01/25	BRIDGE	(3)	32	52
CALVARY CENTER APARTMENTS	Golden Valley	3.650	7,940,000	4,418,128	-	01/01/25	LMIR /BRIDGE	5/31/2029	80	80
CAMBRIDGE APARTMENTS	Cambridge	4.450	9,665,000	1,961,591	-	01/01/25	LMIR /BRIDGE	(3)	14	65
CONCORDIA ARMS	Maplewood	5.750	3,294,191	-	882,376	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
GENEVA VILLAGE	Oakdale	7.210	1,295,469	-	763,906	01/01/28	LMIR	N/A	0	175
HILLSIDE TERRACE	Long Lake	6.720	1,149,234	-	358,308	08/01/34	LMIR/HRS	01/15/31	44	44
HORIZON HEIGHTS	Burnsville	4.150	5,150,000	-	-	01/01/25	LMIR /BRIDGE	05/31/29	25	25
JACKSON PLACE	Elk River	5.630	744,400	-	87,113	04/01/38	LMIR	N/A	0	32
LARSON COMMONS	Cloquet	6.520	1,814,999	-	1,023,709	06/01/37	HAP/HRS	03/31/40	85	85
MARSHALL SQUARE APTS	Marshall	6.450	1,035,989	-	17,544	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
PHALEN VILLAGE	St Paul	3.875	5,720,000	2,809,370	-	07/01/25	LMIR /BRIDGE	(3)	21	76
RIVERTOWN COMMONS	Stillwater	6.150	2,442,016	-	216,968	03/01/38	LMIR/HRS	04/30/40	96	96
SPRING CREEK II	Northfield	3.300	7,190,000	-	-	07/01/24	LMIR/BRIDGE	(3)	24	32
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.000	155,701	-	120,290	04/30/24	HAP/AMP	10/31/37	37	37
THE LUMIN AT HIGHLAND BRIDGE	St Paul	4.800	10,495,000	-	-	07/01/24	LMIR /BRIDGE	(3)	60	60
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,719,804	-	350,811	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
WOTW THEODORE	Minneapolis	3.850	8,200,000	-	-	07/01/24	LMIR/BRIDGE	(3)	6	100
YORKDALE	Edina	5.000	3,567,661	-	350,988	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			<u>\$ 84,204,174</u>	<u>\$ 17,218,956</u>	<u>\$ 4,287,479</u>				<u>969</u>	<u>1523</u>
			\$ 1,092,310	10,640,000						

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF DECEMBER 31, 2023

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
ALBERTVILLE TOWNHOMES	Albertville	5.73 %	\$ 823,730	\$ -	\$ 41,525	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.00	1,711,372	-	113,787	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.75	1,176,504	-	294,718	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.94	2,186,862	-	54,836	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.25	1,371,973	-	92,283	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.49	1,089,392	-	79,346	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.15	853,066	-	151,858	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.00	80,794	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.25	1,820,760	-	513,337	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.49	4,705,972	-	271,650	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.00	3,742,331	-	743,264	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.00	2,798,284	-	265,633	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.50	3,019,715	-	597,714	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.86	330,026	-	148,572	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.75	2,720,013	-	23,233	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.25	1,223,354	-	225,800	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.25	2,268,195	-	92,632	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.63	1,627,989	-	77,712	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.50	1,294,399	-	321,691	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.50	1,834,760	-	240,922	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.50	4,584,567	-	122,566	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.25	1,592,866	-	369,765	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.50	1,720,256	-	300,191	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.75	1,227,080	-	157,613	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.74	1,016,986	-	13,695	11/01/36	LMIR	N/A	0	52
LAKEVILLE COURT	Lakeville	5.00	2,432,245	-	14,698	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.50	2,990,516	-	1,048,594	02/01/34	LMIR/HRS	09/30/24	78	173
MANY RIVERS	Minneapolis	3.94	2,241,597	-	158,850	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.74	1,100,384	-	266,398	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.00	1,881,982	-	214,720	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St Paul	3.43	3,013,431	-	91,038	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.50	2,692,210	-	329,524	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.75	3,569,088	-	440,297	05/01/44	HAP/HRS	09/30/39	97	97
PARK PLAZA	Minneapolis	5.00	1,434,574	-	91,595	09/01/33	LMIR/HRS	N/A	0	134
PARKVIEW VILLA	Columbia Heights	5.25	1,971,374	-	459,940	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.25	2,304,357	-	297,161	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.49	1,172,951	-	669,957	03/01/37	LMIR	12/29/30	86	86
RIVERSIDE TERRACE	Thief River Falls	4.75	2,027,006	-	381,832	07/01/43	LMIR/HRS	05/01/30	66	66
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.15	2,175,715	-	283,463	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.25	3,214,028	-	84,443	01/01/63	LMIR/HRS	06/30/24	4	48
SLATER SQUARE	Minneapolis	5.00	474,218	-	75,915	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.00	754,305	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.50	1,771,843	-	223,145	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.25	1,222,081	-	97,988	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnetonka	4.75	2,258,786	-	1,186,450	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.10	3,352,254	-	91,062	10/01/61	LMIR/HRS	06/30/24	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.49	1,546,699	-	205,198	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.40	752,692	-	74,175	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.00	1,700,216	-	79,942	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.14	1,359,922	-	112,657	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.75	1,109,914	-	9,886	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.00	1,582,136	-	44,278	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.00	2,974,848	-	322,037	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.10	1,658,300	-	44,040	07/01/61	LMIR/HRS	06/30/24	20	40
WILLOW RIDGE	St. Paul	6.39	1,077,836	-	59,780	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 104,638,754	\$ -	\$ 12,773,406				1,313	3,547
			\$ 84,204,174	\$ 17,218,956	\$ 4,287,479				969	1,523
Total			\$ 188,842,927	\$ 17,218,956	\$ 17,060,885				2,282	5070

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM RENTAL HOUSING BONDS 2024 SERIES A-1 and A-2									
Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
Edge Apartments	Kasson	%	\$2,490,000		__/1/2066	LMIR	Determined after completion	9	48
		%	\$5,640,000		__/1/2026	LMIR/ Bridge Loan			

Notes:

- (1) All loans can be prepaid subject to Agency approval.
- (2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.
- (3) Subsidy expiration date will not be determined until development is placed in service.

***Program Type Legend**

AMP = Asset Management Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B-1
AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF DECEMBER 31, 2023
AND FOR THE SIX MONTHS THEN ENDED (UNAUDITED)**

DISCLAIMER

The following information with respect to the General Reserve, Homeownership Finance, Multifamily Housing, Rental Housing, Residential Housing Finance ("RHFB") excluding Pool 3, and RHFB Pool 3 (the "Funds") as of December 31, 2023 and for the six-month period then ended was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of these Funds as of December 31, 2023 and for the six-month period then ended, subject to year-end adjustments.

State and federal appropriated funds are excluded from this presentation because assets and revenues of these funds are not pledged or available to support bonds or other obligations of the Agency or its general obligation pledge in respect thereof.

Financial results for RHFB Pool 3 are reported separately from other Funds' results because the Agency has made no commitment to retain any net position balance in that fund. This fund is not pledged to the payment of any debt obligations of the Agency but, to the extent net position are available in this fund, they are generally available to pay any debt obligation of the Agency.

This presentation excludes management's discussion and analysis which is required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix B-2 should be read in connection with the audited financial statements included in Appendix B, including the notes to those financial statements.



General Reserve & Bond Funds
Statement of Net Position
as of
December 31, 2023
(unaudited)
(with comparative totals as of December 31, 2022)
(in thousands)

Bond Funds

Residential Housing Finance

	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	Fiscal 2024 General Reserve and Bond Funds as of December 31, 2023	Fiscal 2023 General Reserve and Bond Funds as of December 31, 2022
Assets											
Cash and cash equivalents	\$ 88,032	\$ 37,807	\$ 328,385	\$ 21,298	\$ 34,244	\$ 2,032	\$ -	\$ 511,798	\$ 3,605	\$ 515,403	\$ 442,686
Investments-program mortgage-backed securities	-	-	2,960,358	-	914,768	-	-	3,875,126	-	3,875,126	2,953,899
Investment securities-other	12,815	18,249	3,038	39,446	3,977	-	4,048	81,573	8,264	89,837	171,002
Loans receivable, net	-	185,638	197,294	491,507	-	12,775	-	887,214	133,808	1,021,022	949,819
Interest receivable on loans and program mortgage-backed securites	-	750	12,616	1,819	3,004	47	-	18,236	43	18,279	13,252
Interest receivable on investments	378	205	1,518	350	163	9	12	2,635	86	2,721	2,078
Interest rate swap agreements	-	-	34,876	-	-	-	-	34,876	-	34,876	37,609
FHA/VA insurance claims, net	-	-	136	-	-	-	-	136	-	136	397
Real estate owned, net	-	-	374	179	-	-	-	553	-	553	687
Capital assets, net	5,786	-	-	2,069	-	-	-	7,855	-	7,855	7,134
Other assets	2,138	4	49	835	18	-	-	3,044	3	3,047	4,519
Total assets	109,149	242,653	3,538,644	557,503	956,174	14,863	4,060	5,423,046	145,809	5,568,855	4,583,082
Deferred Outflows of Resources											
Deferred loss on refunding	-	-	-	-	-	-	-	-	-	-	1
Deferred loss on interest rate swap agreements	-	-	4,625	-	-	-	-	4,625	-	4,625	-
Deferred pension expense	10,792	-	-	-	-	-	-	10,792	-	10,792	12,397
Total deferred outflows of resources	10,792	-	4,625	-	-	-	-	15,417	-	15,417	12,398
Total assets and deferred outflows of resources	\$ 119,941	\$ 242,653	\$ 3,543,269	\$ 557,503	\$ 956,174	\$ 14,863	\$ 4,060	\$ 5,438,463	\$ 145,809	\$ 5,584,272	\$ 4,595,480
Liabilities											
Bonds payable, net	\$ -	\$ 77,850	\$ 3,460,519	\$ 30,384	\$ 981,235	\$ 12,400	\$ 4,423	\$ 4,566,811	\$ -	\$ 4,566,811	\$ 3,667,852
Interest payable	-	1,010	54,511	69	2,203	31	12	57,836	-	57,836	34,342
Interest rate swap agreements	-	-	4,625	-	-	-	-	4,625	-	4,625	-
Net pension liability	13,428	-	-	-	-	-	-	13,428	-	13,428	2,423
Accounts payable and other liabilities	8,581	17,243	774	58,817	46	-	-	85,461	1	85,462	92,980
Interfund payable (receivable)	3,196	(17,551)	(56,684)	87,678	(5,009)	-	-	11,630	(16,018)	(4,388)	(3,772)
Funds held for others	75,327	-	-	-	-	-	(375)	74,952	-	74,952	70,900
Lease Liability	5,604	-	-	-	-	-	-	5,604	-	5,604	6,903
Subscription Liability	-	-	-	2,071	-	-	-	2,071	-	2,071	-
Total liabilities	106,136	78,552	3,463,745	179,019	978,475	12,431	4,060	4,822,418	(16,017)	4,806,401	3,871,628
Deferred Inflows of Resources											
Deferred gain on interest rate swap agreementsss	-	-	34,876	-	-	-	-	34,876	-	34,876	37,609
Deferred revenue-service release fees	-	-	12,875	1,942	4,797	-	-	19,614	-	19,614	19,416
Deferred pension credit	4,634	-	-	-	-	-	-	4,634	-	4,634	22,813
Total deferred inflows of resources	4,634	-	47,751	1,942	4,797	-	-	59,124	-	59,124	79,838
Total liabilities and deferred inflows of resources	110,770	78,552	3,511,496	180,961	983,272	12,431	4,060	4,881,542	(16,017)	4,865,525	3,951,466
Commitments and Contingencies											
Net Position											
Restricted by bond resolution	-	164,404	290,101	-	17,937	2,432	-	474,874	-	474,874	80,842
Restricted by covenant	8,989	-	-	376,542	-	-	-	385,531	161,826	547,357	562,941
Unrestricted by bond resolution	-	(303)	(258,328)	-	(45,035)	-	-	(303,666)	-	(303,666)	-
Invested in capital assets	182	-	-	-	-	-	-	182	-	182	231
Total net position	9,171	164,101	31,773	376,542	(27,098)	2,432	-	556,921	161,826	718,747	644,014
Total liabilities, deferred inflows, and net position	\$ 119,941	\$ 242,653	\$ 3,543,269	\$ 557,503	\$ 956,174	\$ 14,863	\$ 4,060	\$ 5,438,463	\$ 145,809	\$ 5,584,272	\$ 4,595,480

General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position
for the six months ended
December 31, 2023
(unaudited)
(with comparative totals for the six months ended December 31, 2022)
(in thousands)

	Bond Funds									Fiscal 2024 General Reserve and Bond Funds	Fiscal 2023 General Reserve and Bond Funds
	Residential Housing Finance									Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3		
Revenues											
Interest earned on loans	\$ -	\$ 4,579	\$ 4,543	\$ 10,575	\$ -	\$ 281	\$ -	\$ 19,978	\$ 94	\$ 20,072	\$ 18,402
Interest earned on investments-program mortgage-backed securities	-	-	56,167	-	17,435	-	-	73,602	-	73,602	49,186
Interest earned on investments-other	588	1,035	6,900	3,313	977	51	73	12,937	395	13,332	9,927
Net G/L on Sale of MBS Held for Sale/HM	-	-	-	(137)	-	-	-	(137)	-	(137)	1,251
Administrative reimbursement	24,276	-	-	-	-	-	-	24,276	-	24,276	19,285
Fees earned and other income	8,205	33	1,587	1,098	729	-	-	11,652	14	11,666	10,583
Unrealized (losses)gains on investments	-	270	31,475	(1,422)	11,117	-	-	41,440	5	41,445	(142,245)
Total revenues	33,069	5,917	100,672	13,427	30,258	332	73	183,748	508	184,256	(33,611)
Expenses											
Interest	157	1,172	48,739	3,483	13,479	187	73	67,290	-	67,290	40,847
Financing, net	-	1	6,416	7	-	-	-	6,424	-	6,424	(363)
Loan administration and trustee fees	-	51	915	724	194	2	-	1,886	4	1,890	1,668
Administrative reimbursement	-	749	8,864	1,835	3,273	45	-	14,766	866	15,632	13,341
Salaries and benefits	19,544	-	-	-	-	-	-	19,544	-	19,544	17,070
Other general operating	6,153	7	77	628	29	-	-	6,894	617	7,511	6,881
Reduction in carrying value of certain low interest rate deferred loans	-	(40)	38	(142)	-	-	-	(144)	4,788	4,644	(83)
Provision for loan losses	-	522	322	1,520	-	(1)	-	2,363	171	2,534	2,596
Total expenses	25,854	2,462	65,371	8,055	16,975	233	73	119,023	6,446	125,469	81,957
Revenues over (under) expenses	7,215	3,455	35,301	5,372	13,283	99	-	64,725	(5,938)	58,787	(115,568)
Other changes											
Non-operating transfer of assets between funds	(7,534)	85	18,556	(11,107)	-	-	-	-	-	-	849
Change in net position	(319)	3,540	53,857	(5,735)	13,283	99	-	64,725	(5,938)	58,787	(114,719)
Net Position											
Total net position, beginning of period	9,490	160,561	(22,084)	382,277	(40,381)	2,333	-	492,196	167,764	659,960	758,733
Total net position, end of period	\$ 9,171	\$ 164,101	\$ 31,773	\$ 376,542	\$ (27,098)	\$ 2,432	\$ -	\$ 556,921	\$ 161,826	\$ 718,747	\$ 644,014

General Reserve & Bond Funds
Statement of Cash Flows
for the six months ended
December 31, 2023
(unaudited)
(with comparative totals for the six months ended December 31, 2022)
(in thousands)

	Bond Funds									Fiscal 2024 General Reserve and Bond Funds	Fiscal 2023 General Reserve and Bond Funds
	Residential Housing Finance				Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	Bond Funds Excluding Pool 3	RHFB Pool 3	Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
	General Reserve	Rental Housing	Bonds	Pool 2							
Cash flows from operating activities:											
Principal repayments on loans and program mortgage-backed securities	\$ -	\$ 9,814	\$ 86,753	\$ 29,947	\$ 44,291	\$ 119	\$ -	\$ 170,924	\$ 2,717	\$ 173,641	\$ 198,661
Investment in loans and program mortgage-backed securities	-	(26,786)	(780,834)	(65,631)	-	-	-	(873,251)	(16,483)	(889,734)	(523,684)
Interest received on loans and program mortgage-backed securities	-	4,477	60,138	9,569	18,495	281	-	92,960	88	93,048	68,777
Fees and other income received	9,972	41	(18)	6,473	-	-	-	16,468	14	16,482	13,206
Salaries, benefits and vendor payments	(22,306)	(129)	(1,051)	(4,130)	(252)	(2)	-	(27,870)	(777)	(28,647)	(27,085)
Administrative reimbursement from funds	22,233	(749)	(8,864)	(1,835)	(3,273)	(45)	-	7,467	(866)	6,601	3,123
Deposits into funds held for others	20,241	-	-	-	-	-	-	20,241	-	20,241	18,919
Disbursements made from funds held for others	(21,669)	-	-	-	-	-	-	(21,669)	-	(21,669)	(19,168)
Interfund transfers and other assets	(6,235)	-	(913)	14,904	(5,000)	1	-	2,757	(9,000)	(6,243)	(229)
Net cash provided (used) by operating activities	2,236	(13,332)	(644,789)	(10,703)	54,261	354	-	(611,973)	(24,307)	(636,280)	(267,480)
Cash flows from noncapital financing activities:											
Proceeds from sale of bonds and notes	-	13,660	958,764	821,174	-	-	-	1,793,598	-	1,793,598	1,608,182
Principal repayment on bonds and notes	-	(5,535)	(101,075)	(847,999)	(47,699)	(120)	(337)	(1,002,765)	-	(1,002,765)	(1,407,046)
Interest paid on bonds and notes	(157)	(817)	(38,397)	(1,930)	(13,587)	(187)	(73)	(55,148)	-	(55,148)	(43,912)
Financing costs paid related to bonds issued	-	(1)	(7,805)	(11)	-	-	-	(7,817)	-	(7,817)	(3,087)
Interest paid/received between funds	5	2	59	(59)	2	-	-	9	-	9	-
Principal paid/received between funds	-	-	-	-	-	-	-	-	-	-	-
Agency contribution to program funds	-	85	22,926	(23,011)	-	-	-	-	-	-	-
Transfer of cash between funds	(5,776)	-	-	(7,224)	-	-	-	(13,000)	13,000	-	-
Net cash provided (used) by noncapital financing activities	(5,928)	7,394	834,472	(59,060)	(61,284)	(307)	(410)	714,877	13,000	727,877	154,137
Cash flows from capital financing activities:											
Purchases of capital assets	(163)	-	-	-	-	-	-	(163)	-	(163)	-
Net cash provided (used) by Capital financing activities	(163)	-	-	-	-	-	-	(163)	-	(163)	-
Cash flows from investing activities:											
Investment in real estate owned	-	-	(200)	(41)	-	-	-	(241)	(16)	(257)	(35)
Interest received on investments	1,914	634	4,890	3,524	937	50	73	12,022	375	12,397	9,581
Net gain(loss) on Sale of MBS Held for Sale and HOME SM Certificates	-	-	-	1,134	-	-	-	1,134	-	1,134	4,726
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	1,056	524	-	-	-	1,580	-	1,580	1,539
Proceeds from maturity, sale or transfer of investment securities	25,000	280	51	782,411	20	-	337	808,099	200	808,299	603,488
Purchase of investment securities	(12,490)	-	-	(734,271)	-	-	-	(746,761)	-	(746,761)	(597,343)
Purchase of loans between funds	-	-	(5,004)	5,004	-	-	-	-	13,000	13,000	5,515
Net cash provided (used) by investing activities	14,424	914	793	58,285	957	50	410	75,833	13,559	89,392	27,471
Net increase (decrease) in cash and cash equivalents	10,569	(5,024)	190,476	(11,478)	(6,066)	97	-	178,574	2,252	180,826	(85,872)
Cash and cash equivalents:											
Beginning of period	77,463	42,831	137,909	32,776	40,310	1,935	-	333,224	1,353	334,577	528,558
End of period	\$ 88,032	\$ 37,807	\$ 328,385	\$ 21,298	\$ 34,244	\$ 2,032	\$ -	\$ 511,798	\$ 3,605	\$ 515,403	\$ 442,686

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the six months ended
December 31, 2023
(unaudited)
(with comparative totals for the six months ended December 31, 2022)
(in thousands)

	Bond Funds								Fiscal 2024 General Reserve and Bond Funds Ended December 31, 2023	Fiscal 2023 General Reserve and Bond Funds Six Months Ended December 31, 2022
	General Reserve	Rental Housing	Residential Housing Finance		Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	
			Bonds	Pool 2						
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:										
Revenues over (under) expenses	\$ 7,215	\$ 3,455	\$ 35,301	\$ 5,372	\$ 13,283	\$ 99	\$ -	\$ 64,725	\$ (5,938)	\$ 58,787
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:										
Amortization of premiums (discounts) and fees on program mortgage-backed securities	-	(67)	3,482	(808)	921	-	-	3,528	-	3,528
Amortization of premium and fees on sale of HOMES SM certificates	-	-	-	-	-	-	-	-	-	-
Depreciation	1,428	-	-	204	-	-	-	1,632	-	1,680
Gain (loss) on sale of MBS held for sale and HOMES SM certificates	-	-	-	137	-	-	-	137	-	(1,251)
Realized losses (gains) on securities, net	-	-	-	-	-	-	-	-	-	5
Unrealized losses(gains) on securities, net	-	(270)	(31,475)	1,422	(11,117)	-	-	(41,440)	(5)	142,245
Provision for loan losses	-	522	322	1,520	-	(1)	-	2,363	171	2,596
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(40)	38	(142)	-	-	-	(144)	4,788	4,644
Capitalized interest on loans and real estate owned	-	-	(139)	(42)	-	-	-	(181)	-	(181)
Interest earned on investments	(588)	(1,035)	(6,993)	(3,313)	(977)	(51)	(73)	(13,030)	(395)	(13,425)
Interest expense on bonds and notes	157	1,172	48,739	3,483	13,479	187	73	67,290	-	67,290
Financing expense on bonds	-	1	6,416	7	-	-	-	6,424	-	6,424
Changes in assets and liabilities:										
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	(16,972)	(694,081)	(35,684)	44,291	119	-	(702,327)	(13,766)	(716,093)
(Increase) decrease in interest receivable on loans	-	(35)	(3,915)	(156)	139	-	-	(3,967)	(6)	(3,973)
(Decrease) increase in arbitrage rebate liability	-	-	93	-	-	-	-	93	-	93
(Decrease) increase in accounts payable	1,962	(63)	(1,664)	2,176	(758)	-	-	1,653	(156)	1,497
(Decrease) increase in interfund payable, affecting operating activities only	(7,514)	-	(1,001)	15,218	(5,000)	-	-	1,703	(9,000)	(7,297)
Increase in funds held for others	(1,428)	-	-	-	-	-	-	(1,428)	-	(1,428)
Other	1,004	-	88	(97)	-	1	-	996	-	996
Total	(4,979)	(16,787)	(680,090)	(16,075)	40,978	255	-	(676,698)	(18,369)	(695,067)
Net cash provided (used) by operating activities	\$ 2,236	\$ (13,332)	\$ (644,789)	\$ (10,703)	\$ 54,261	\$ 354	\$ -	\$ (611,973)	\$ (24,307)	\$ (636,280)

**General Reserve & Bond Funds
Cash and Cash Equivalents
(unaudited)**

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates market value and comprise the following at December 31, 2023 (in thousands):

<u>Funds</u>	<u>Deposits</u>	<u>Money Market Funds</u>	<u>State Investment Pool</u>	<u>Investment Agreements</u>	<u>Combined Totals</u>
General Reserve	\$ -	\$ -	\$ 88,032	\$ -	\$ 88,032
Rental Housing	-	37,807		-	37,807
Residential Housing Finance:					
Bonds	353	327,796	-	236	328,385
Pool 2	312	20,986	-	-	21,298
Homeownership Finance	-	34,244	-	-	34,244
Multifamily Housing	-	2,032	-	-	2,032
HOMES SM	-	-	-	-	-
Subtotal	665	422,865	88,032	236	511,798
Residential Housing Finance:					
Pool 3	73	3,532	-	-	3,605
Total	<u>\$ 738</u>	<u>\$ 426,397</u>	<u>\$ 88,032</u>	<u>\$ 236</u>	<u>\$ 515,403</u>

**General Reserve & Bond Funds
Investment Securities
(unaudited)**

Investment Securities

Investment securities (comprising US Treasuries, US Agencies, municipals, and mortgage-backed securities*) are recorded at fair market value and were allocated to the following funds at December 31, 2023 (in thousands):

<u>Funds</u>	<u>Amortized Cost</u>	<u>Unrealized Appreciation in Fair Market Value</u>	<u>Estimated Fair Market Value</u>
General Reserve	\$ 12,815	\$ -	\$ 12,815
Rental Housing	19,086	(837)	18,249
Residential Housing Finance:			
Bonds	3,150,488	(187,092)	2,963,396
Pool 2	45,583	(6,137)	39,446
Homeownership Finance	1,004,828	(86,083)	918,745
Multifamily Housing	-	-	-
HOMES SM	4,423	(375)	4,048
Subtotal	<u>4,237,223</u>	<u>(280,524)</u>	<u>3,956,699</u>
Residential Housing Finance:			
Pool 3	8,265	(1)	8,264
Total	<u>\$ 4,245,488</u>	<u>\$ (280,525)</u>	<u>\$ 3,964,963</u>

*Mortgage-backed Securities Investments

Mortgage-backed securities (MBS) that are pledged as security for the payment of Agency bonds and are held in an acquisition account are presented as "Investments- program mortgage-backed securities" on the financial statements. The Agency may also hold non-program MBS which are included with "Investment securities-other." All investments, including program and non-program MBS, are reported at fair market value on the statement of net position. The difference between the fair market value and the amortized cost is presented as "unrealized gains (losses) on securities" on the statement of revenues, expenses and changes in net position.

General Reserve & Bond Funds
Loans Receivable, net
(unaudited)

Loans Receivable, net

Loans receivable, net at December 31, 2023 consist of the following (in thousands):

<u>Funds</u>	<u>Gross Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Loans Receivable, net</u>
General Reserve	\$ -	\$ -	\$ -
Rental Housing	188,843	(3,205)	185,638
Residential Housing Finance:			
Bonds	199,856	(2,562)	197,294
Pool 2	499,476	(7,969)	491,507
Homeownership Finance	-	-	-
Multifamily Housing	12,839	(64)	12,775
HOMES SM	-	-	-
Subtotal	901,014	(13,800)	887,214
Residential Housing Finance:			
Pool 3	274,602	(140,794)	133,808
Total	<u>\$ 1,175,616</u>	<u>\$ (154,594)</u>	<u>\$ 1,021,022</u>

Included in the table above are certain loans residing in RHFB Pool 3 that are originated at interest rates ranging from 0% to 5% and repayment of which is deferred for up to 30 years. These loans are generally in either a second or lower mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination most are fully reserved resulting in a net carrying value of zero.

General Reserve & Bond Funds
Bonds Payable, net
(unaudited)

Bonds Payable, net

Bonds payable, net at December 31, 2023 consist of the following (in thousands):

<u>Funds</u>	<u>Par Bonds Outstanding</u>	<u>Premiums on Bonds</u>	<u>Bonds Payable, Net</u>
General Reserve	\$ -	\$ -	\$ -
Rental Housing	77,850		77,850
Residential Housing Finance:			
Bonds	3,420,425	40,094	3,460,519
Pool 2	384		384
Homeownership Finance	981,235		981,235
Multifamily Housing	12,400		12,400
Homes SM	4,423		4,423
Subtotal	4,496,717	40,094	4,536,811
Residential Housing Finance:			
Pool 3	-		-
Total	<u>\$ 4,496,717</u>	<u>\$ 40,094</u>	<u>\$ 4,536,811</u>

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2024, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is 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 Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest

Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made 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 assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, 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 or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described

and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The

Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;
- (b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;
- (c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

- (a) receipt of full Prepayment conforming to the requirements stated below;
- (b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;
- (c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;
- (d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;
- (e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;
- (f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or
- (g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any

amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect

to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund;
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

- (a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any

money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first

day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase

agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the

additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a “Supplemental Resolution”).

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer’s Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of “Events of Default” above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of “Events of Default” above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity and series will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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 and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series 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. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another 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 bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to one or both series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds of that series are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for one or both series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2024

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2024 Series A-1
2024 Series A-2

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2024 Series A-1, in the aggregate principal amount of \$_____ (the “2024 Series A-1 Bonds”) and its Rental Housing Bonds, 2024 Series A-2, in the aggregate principal amount of \$_____ (the “2024 Series A-2 Bonds” and, together with the 2024 Series A-1 Bonds, the “2024 Series A Bonds”), each series of which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2024 Series A Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2024 Series A Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2024 Series A Bonds adopted _____, 2024 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2024 Series A Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2024 Series A Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2024 Series A Bonds are not a debt of the

Minnesota Housing Finance Agency
 _____, 2024
 Page 2

State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2024 Series A Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2024 Series A Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2024 Series A Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2024 Series A Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2024 Series A Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2024 Series A Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the 2024 Series A Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2024 Series A Bonds. All owners of 2024 Series A Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2024 Series A Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2024 Series A Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2024 Series A Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2024 Series A Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 24-014

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE
ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN
KASSON, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of one or more series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one or more Mortgage Loans (together, the “Mortgage Loans”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and construction of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loans to the Mortgagor shall be evidenced by one or more Mortgage Notes to be executed by the Mortgagor to the Agency and one or more Mortgages to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgages (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue two series of Bonds pursuant to the Bond Resolution, which are designated as “Rental Housing Bonds, 2024 Series A-1,” and “Rental Housing Bonds, 2024 Series A-2,” in the aggregate principal amount to be determined pursuant to Section 2(E) (individually, the “Series 1 Bonds” and the “Series 2 Bonds” and collectively, the “Series Bonds”). The “2024” in the designation of the Bonds may be changed to “2025” and the “A” in the designation of the Bonds may be changed to “B” or such other uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loans to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of \$8,950,000;

(ii) the maturity schedule of the Series Bonds; provided that the Series 1 Bonds mature at any time or times in such amount or amounts not later than 42 years from the Issue Date thereof and the Series 2 Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rates borne by the Series Bonds; provided that the interest rate on the Series 1 Bonds shall not exceed 7.00% and the interest rate on the Series 2 Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the aggregate principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including any mandatory sinking fund provisions and the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B and C hereto (which are hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series 1 Bonds or Series 2 Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds of each series shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing August 1, 2024, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds of each series shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chair and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series 1 Bonds and Series 2 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 1 Bond and one Series 2 Bond shall be issued in the principal amount of each stated maturity of the Series 1 Bonds and the Series 2 Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any

person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to either or both of the Series 1 Bonds and the Series 2 Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of the Series 1 Bonds and/or the Series 2 Bonds, as applicable, in the form of certificates. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to either one or both of the Series 1 Bonds and the Series 2 Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series 1 Bonds and Series 2 Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series 1 Bonds and the Series 2 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event the Series 1 Bonds and/or the Series 2 Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, or another securities depository as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 1 Bonds and/or

Series 2 Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series 1 Bonds and/or Series 2 Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Debt Service Reserve Fund and the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and constructed for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) [Reserved].

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Notes and Mortgages received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Notes and Mortgages as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Notes and Mortgages.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loans within three years after the date of issue of the Issue and not more than 50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law carried

forward from calendar year 2023. The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loans purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loans must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms

and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

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Adopted by the Minnesota Housing Finance
Agency this 22nd day of February, 2024.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 24-014]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Kasson Housing Group, LLC	Edge Apartments	Kasson, MN	48

EXHIBIT B
FORM OF 2024 SERIES A-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [A]-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing August 1, 2024, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series A-1 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series A-1 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series A-1 Bond is not a debt of the State.

This Series A-1 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [A]-1, issued in the original aggregate principal amount of \$_____ (the “Series Bonds”), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Kasson, Minnesota (the “Development”). The Series A-1 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-014, adopted February 22, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series A-1 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series A-1 Bonds, and the terms upon which the Bonds, including the Series A-1 Bonds, are issued, delivered and secured. The Series A-1 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series A-2.

The Series A-1 Bonds are issuable only in fully registered form. The Series A-1 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

[The Series A-1 Bonds maturing on [_____], are required to be redeemed (unless previously purchased or redeemed) by the application of sinking fund installments on the dates and in the amounts specified pursuant to the Series Resolution, at a redemption price equal to the principal amount thereof plus accrued interest, without premium.]

The Series A-1 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series A-1 Bonds are not sufficient to redeem all Outstanding Series A-1 Bonds, the Agency may apply other funds to the special redemption of the Series A-1 Bonds in addition to the allocable amount of Recovery Payments.

The Series A-1 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [_____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

[Upon redemption of any of the Series A-1 Bonds, the years in which and the amounts by which the sinking fund installments are to be reduced will be determined by the Agency in such manner that the aggregate reductions of sinking fund installments shall equal the aggregate principal amount of Series A-1 Bonds redeemed.] Upon any redemption of the Series A-1 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series A-1 Bonds, a new Series A-1 Bond or Series A-1 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series A-1 Bonds will be mailed to the registered Holders of the Series A-1 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series A-1 Bonds to be redeemed,

(iii) that on the redemption date the redemption price of the Series A-1 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series A-1 Bonds not affected by such failure or defect. Notice having been so mailed, the Series A-1 Bonds or portions of Series A-1 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series A-1 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series A-1 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for

the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series A-1 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series A-1 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series A-1 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series A-1 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series A-1 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series A-1 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series A-1 Bond, so long as this Series A-1 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series A-1 Bond, and shall give all notices with respect to this Series A-1 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee’s Certificate hereon has been manually executed by or on behalf of the Trustee, this Series A-1 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series A-1 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series A-1 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee’s Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

EXHIBIT C
FORM OF 2024 SERIES A-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [A]-2

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
-----------------------------	------------------------	--------------------------------------	---------------------

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing August 1, 2024, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series A-2 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series A-2 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series A-2 Bond is not a debt of the State.

This Series A-2 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [A]-2, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and construction of a multifamily

housing development in Kasson, Minnesota (the “Development”). The Series A-2 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-014 adopted February 22, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series A-2 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series A-2 Bonds, and the terms upon which the Bonds, including the Series A-2 Bonds, are issued, delivered and secured. The Series A-2 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series A-1.

The Series A-2 Bonds are issuable only in fully registered form. The Series A-2 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series A-2 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series A-2 Bonds are not sufficient to redeem all Outstanding Series A-2 Bonds, the Agency may apply other funds to the special redemption of the Series A-2 Bonds in addition to the allocable amount of Recovery Payments.

The Series A-2 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series A-2 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series A-2 Bonds, a new Series A-2 Bond or Series A-2 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series A-2 Bonds will be mailed to the registered Holders of the Series A-2 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series A-2 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series A-2 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series A-2 Bonds not affected by such failure or defect. Notice having been so mailed, the Series A-2 Bonds or portions of Series A-2 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series A-2 Bonds or portions thereof shall

no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series A-2 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series A-2 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series A-2 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series A-2 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series A-2 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series A-2 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series A-2 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series A-2 Bond, so long as this Series A-2 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series A-2 Bond, and shall give all notices with respect to this Series A-2 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series A-2 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series A-2 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series A-2 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:



Item: Adoption, Resolution Authorizing the Issuance and Sale of Rental Housing Bonds, Series 2024 B-1 and B-2 (Walnut Towers)

Action Item: 7.E
Date: 02/24/2024
Staff Contacts: Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
 Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: Approval, Resolution

Request Summary

Staff is requesting authorization to issue fixed rate bonds under the existing Rental Housing Bond indenture. The bonds will be issued in two series, to make a short-term first lien bridge mortgage loan and a long-term Low and Moderate Income Rental (LMIR) loan to finance a portion of the acquisition and rehabilitation of Walnut Towers, an 86 unit multifamily housing development in Mankato, MN. The Agency anticipates pricing and issuing the bonds described in the attached Preliminary Official Statement in the second quarter of the 2024 calendar year.

Fiscal Impact

The Agency will earn an interest rate spread while these bonds are outstanding and will also receive certain fee income as part of the closing of the associated loans.

Agency Priorities

- | | |
|---|---|
| <input checked="" type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input checked="" type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Preliminary Official Statement
- Resolution

NEW ISSUE**Ratings: Moody's: "____"**
S&P: "____"

Minnesota Housing Finance Agency has prepared this Official Statement to provide information about the Series Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Series Bonds, a prospective investor should read all of this Official Statement. Capitalized terms used on this cover page have the meanings given in this Official Statement.

**\$9,590,000*****MINNESOTA HOUSING FINANCE AGENCY****\$5,530,000* Rental Housing Bonds, 2024 Series B-1 (Non-AMT)****\$4,060,000* Rental Housing Bonds, 2024 Series B-2 (Non-AMT)****Dated: Date of Delivery****Due: as shown on inside front cover***Tax Exemption*

Interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a "substantial user" of the facilities financed by the Series Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. (For additional information, including further information on the application of federal and state alternative minimum tax provisions to the Series Bonds, see "Tax Exemption and Related Considerations" herein.)

Redemption

The Agency may redeem all or a portion of the Series Bonds by optional or special redemption and, with respect to the 2024 Series B-1 Bonds, by sinking fund redemption as described under "The Series Bonds" herein.

Security

Payment of principal and interest on the Series Bonds is secured, on an equal basis with payment of principal and interest on all Outstanding Bonds that the Agency has issued, and may subsequently issue, under the Bond Resolution, by a pledge of Bond proceeds, Mortgage Loans, Investments, Revenues and other assets held under the Bond Resolution. The Series Bonds are also general obligations of the Agency, payable out of any of its generally available moneys, assets or revenues. THE AGENCY HAS NO TAXING POWER. THE STATE OF MINNESOTA IS NOT LIABLE FOR THE PAYMENT OF THE SERIES BONDS AND THE SERIES BONDS ARE NOT A DEBT OF THE STATE. (See "Security for the Bonds.")

Interest Payment Dates

February 1 and August 1, commencing August 1, 2024.*

Denominations

\$5,000 or any integral multiple thereof.

Closing/Settlement

On or about _____, 2024* through the facilities of DTC in New York, New York.

Bond Counsel

Kutak Rock LLP.

Underwriter's Counsel

Dorsey & Whitney LLP.

Trustee

Computershare Trust Company, National Association, in Minneapolis, Minnesota.

Book-Entry-Only System

The Depository Trust Company. (See Appendix E herein.)

The Series Bonds are offered, when, as and if issued, subject to withdrawal or modification of the offer without notice and to the opinion of Kutak Rock LLP, Bond Counsel, as to the validity of, and tax exemption of interest on, the Series Bonds.

RBC Capital Markets

The date of this Official Statement is

_____, 2024.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES***\$5,530,000* 2024 Series B-1 Bonds**

\$_____,000* ____ % Series B-1 Term Bonds Due August 1, ____* (CUSIP **)

\$_____,000* ____ % Series B-1 Term Bonds Due August 1, ____* (CUSIP **)

\$_____,000* ____ % Series B-1 Term Bonds Due August 1, ____* (CUSIP **)

\$_____,000* ____ % Series B-1 Term Bonds Due August 1, ____* (CUSIP **)

\$4,060,000* 2024 Series B-2 Bonds

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
_____ 1, 2026*	\$_____,000*	____ %	100%	

*Preliminary, subject to change.

**CUSIP number has been assigned by an organization not affiliated with the Agency and is included for the convenience of the owners of the Series Bonds. The Agency is not responsible for the selection or uses of this CUSIP number, nor is any representation made as to its correctness on the Series Bonds or as indicated above. A CUSIP number for a specific maturity may be changed after the issuance date. CUSIP® is a registered trademark of the American Bankers Association.

Neither Minnesota Housing Finance Agency nor the Underwriter has authorized any dealer, broker, salesman or other person to give any information or representations, other than those contained in this Official Statement. Prospective investors must not rely on any other information or representations as being an offer to buy. No person may offer or sell Series Bonds in any jurisdiction in which it is unlawful for that person to make that offer, solicitation or sale. The information and expressions of opinion in this Official Statement may change without notice. Neither the delivery of the Official Statement nor any sale of the Series Bonds will, under any circumstances, imply that there has been no change in the affairs of the Agency since the date of this Official Statement.

This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Agency, the Program and the Series Bonds could cause actual results to differ materially from those contemplated in the forward-looking statements.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities 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 the information.

In connection with this offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Series Bonds at a level above that which might otherwise prevail in the open market. This stabilizing, if commenced, may be discontinued.

NO FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES. 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	4	<u>APPENDIX B-2</u>	
THE AGENCY	5	FINANCIAL STATEMENTS OF CERTAIN FUNDS OF	
THE DEVELOPMENT	13	THE AGENCY (EXCLUDING STATE APPROPRIATED	
THE SERIES BONDS	14	AND FEDERAL APPROPRIATED FUNDS) AS OF	
SECURITY FOR THE BONDS	17	DECEMBER 31, 2023 AND FOR THE SIX MONTHS	
THE RENTAL HOUSING PROGRAM	19	THEN ENDED (UNAUDITED).....	B-2-1
OTHER PROGRAMS	27	<u>APPENDIX C</u>	
TAX EXEMPTION AND RELATED		SUMMARY OF CONTINUING DISCLOSURE	
CONSIDERATIONS.....	27	UNDERTAKING.....	C-1
LITIGATION	29	<u>APPENDIX D</u>	
LEGAL MATTERS	29	SUMMARY OF CERTAIN PROVISIONS OF THE	
FINANCIAL ADVISOR	29	BOND RESOLUTION	D-1
RATINGS	29	<u>APPENDIX E</u>	
TRUSTEE.....	29	BOOK-ENTRY-ONLY SYSTEM.....	E-1
UNDERWRITING	30	<u>APPENDIX F</u>	
MISCELLANEOUS	30	FORM OF OPINION OF BOND	
<u>APPENDIX A</u>		COUNSEL.....	F-1
DESCRIPTION OF OUTSTANDING MORTGAGE			
LOANS AND DEVELOPMENTS PREVIOUSLY			
FINANCED BY RENTAL HOUSING BONDS AND			
MORTGAGE LOANS AND DEVELOPMENTS			
PLEGGED AS ADDITIONAL SECURITY UNDER THE			
RENTAL HOUSING BOND RESOLUTION			
INCLUDING THOSE INTENDED TO BE FINANCED			
WITH PROCEEDS OF THE SERIES BONDS	A-1		
<u>APPENDIX B-1</u>			
AUDITED FINANCIAL STATEMENTS OF THE			
AGENCY AS OF JUNE 30, 2023	B-1-1		

OFFICIAL STATEMENT

relating to
\$9,590,000*

MINNESOTA HOUSING FINANCE AGENCY
\$5,530,000* Rental Housing Bonds, 2024 Series B-1 (Non-AMT)
\$4,060,000* Rental Housing Bonds, 2024 Series B-2 (Non-AMT)

This Official Statement (which includes the Appendices) provides certain information concerning the issuance and sale by Minnesota Housing Finance Agency (the “Agency”) of its Rental Housing Bonds, 2024 Series B-1 in the principal amount of \$5,530,000* (the “Series B-1 Bonds”) and its Rental Housing Bonds, 2024 Series B-2 in the principal amount of \$4,060,000* (the “Series B-2 Bonds” and together with the Series B-1 Bonds, the “Series Bonds”). The Agency is issuing the Series Bonds pursuant to Minnesota Statutes, Chapter 462A, as amended (the “Act”), a resolution of the Agency adopted February 25, 1988 (as amended and supplemented in accordance with its terms, the “Bond Resolution”), and a series resolution of the Agency adopted [February 22], 2024 (the “Series Resolution”). (The Bond Resolution and the Series Resolution are herein sometimes referred to as the “Resolutions.”)

The Rental Housing Bonds Outstanding in the aggregate principal amount of \$77,850,000 as of January 31, 2024, the Series Bonds and any additional Rental Housing Bonds issued pursuant to the Bond Resolution (collectively referred to as the “Bonds”), are and will be equally and ratably secured under the Bond Resolution.

The Resolutions should be referred to for the definitions of capitalized terms used herein, some of which are reproduced in this Official Statement. The summaries and references herein to the Act, the Resolutions and other documents are only brief outlines of certain provisions and do not purport to summarize or describe all the provisions thereof. All references herein to the Act, the Bond Resolution and the Series Resolution are qualified in their entirety by reference to the Act and the Resolutions, copies of which are available from the Agency, and all references to the Series Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolutions.

INTRODUCTION

The Agency is a public body corporate and politic, constituting an agency of the State of Minnesota. The Act authorizes the Agency to issue bonds for the purpose, among other purposes, of making mortgage loans to sponsors of residential housing for occupancy by persons and families of low and moderate income if the Agency determines that those loans are not otherwise available from private lenders with equivalent terms and conditions.

Since its creation in 1971, the Agency has issued bonds to purchase single family mortgage loans, to purchase home improvement loans and to finance multifamily developments. In addition to financing loans through the issuance of debt, the Agency finances grants and loans through State and federal appropriations and its Alternative Loan Fund in the Residential Housing Finance Bond Fund. Please refer to the information in the notes to the financial statements included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The Agency uses proceeds of Bonds it issues pursuant to the Bond Resolution to finance a portion of the activities undertaken pursuant to the Rental Housing Program (the “Program”). The multifamily division of the Agency administers the Program. The purpose of the Program is to increase the supply of, and to maintain and improve, the rental housing stock in Minnesota that is affordable to low and moderate income households. The Program has also provided financing for nonprofit group homes for the developmentally disabled. Through the use of bond financing and other funding sources, the Agency intends that the Program will provide both short-term and long-

*Preliminary, subject to change.

term, fixed rate, first lien (or second lien if the Agency also holds the first lien) mortgage loans (“Mortgage Loans”), and, under certain circumstances, subordinate mortgage loans (“Subordinate Mortgage Loans”), to finance the construction, acquisition, rehabilitation or refinancing of multifamily rental housing and group home developments (the “Developments”). The Bond Resolution authorizes, upon conditions set forth therein, the issuance of additional series of Bonds on a parity with the Outstanding Bonds, including the Series Bonds.

In recognition of certain risks inherent in mortgage lending, the Agency has adopted policies and review procedures for detailed evaluation of the Developments that it finances prior to making Mortgage Loan commitments. To assure completion of rehabilitation, construction and proper maintenance, the Agency has established reserve and escrow requirements and procedures for regulating and monitoring operations with respect to the Developments. The procedures the Agency presently uses to reduce those risks are described more fully herein under the heading “The Rental Housing Program.”

The Agency intends to use the proceeds of the Series Bonds to fund a first lien mortgage loan, to a private owner, that will finance a portion of the costs of acquisition and rehabilitation of a multifamily housing development in Mankato, Minnesota. (See “The Development.”) The Series Bonds are general obligations of the Agency payable from any of its moneys, assets or revenues, subject to the provisions of other resolutions and indentures now or hereafter pledging particular moneys, assets or revenues, to particular notes or bonds, and federal or State laws heretofore or hereafter enacted appropriating funds to the Agency for a specified purpose. The net position of the General Reserve and the Alternative Loan Fund are legally available if needed to pay debt service on any obligations of the Agency, including the Series Bonds. (For purposes of the Resolutions, the General Reserve is designated as the General Reserve Account.) (See “The Agency — Net Position Restricted By Covenant and Operations to Date – General Reserve; Alternative Loan Fund.”)

The Agency has further pledged as security for the payment of the Series Bonds (on an equal basis with the Outstanding Bonds issued and that may be issued under the Bond Resolution) amounts on deposit and investments in certain accounts and funds established pursuant to the Resolutions, including the Debt Service Reserve Fund established pursuant to the Bond Resolution in accordance with the Act. Under the Act, upon certification by the Agency, the State Legislature may, but is not required to, appropriate amounts that may be necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. (See “Security for the Bonds.”)

Although the State has appropriated amounts to the Agency for various specific purposes (see “The Agency — State Appropriations”), the Agency generally pays its general and administrative expenses from certain interest earnings and fees charged in connection with its bond-funded programs. For programs funded through State appropriations, the Agency recovers the costs of administering the programs only to the extent of interest earnings on the appropriations. The appropriations are not available to pay debt service on the Bonds.

The Agency has no taxing power. Neither the State of Minnesota nor any political subdivision thereof is or will be obligated to pay the principal or redemption price of, or interest on, the Series Bonds and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to that payment.

THE AGENCY

Purpose

The Agency was created in 1971 by the Act as a public body corporate and politic, constituting an agency of the State of Minnesota, in response to legislative findings that there existed in Minnesota a serious shortage of decent, safe, and sanitary housing at prices or rentals within the means of persons and families of low and moderate income, and that the then present patterns of providing housing in the State limited the ability of the private building industry and the investment industry to produce that housing without assistance and resulted in a failure to provide sufficient long-term mortgage financing for that housing.

Structure

Under the Act, the membership of the Agency consists of the State Auditor and six public members appointed by the Governor with the advice and consent of the Senate for terms of four years. Pursuant to the Act, each member continues to serve until a successor has been appointed and qualified. The Chair of the Agency is designated by the Governor from among the appointed public members. Pursuant to state law, the State Auditor may delegate duties and has delegated her duties as a member of the Agency in the event that the Auditor is unable to attend a meeting of the Agency.

The present members of the Agency, who serve without compensation (except for per diem allowance and expenses for members not otherwise compensated as public officers), are listed below.

John DeCramer, Chair — Term expired January 2024,* Marshall, Minnesota – Magnetics Engineer

The Honorable *Julie Blaha* — *Ex officio*, St. Paul, Minnesota – State Auditor

Melanie Benjamin, Member — Term expires January 2025, Onamia, Minnesota – Consultant

Eric Cooperstein, Member — Term expires January 2027, Edina, Minnesota – Attorney

Stephanie Klinzing, Member — Term expires January 2027, Elk River, Minnesota – Writer and Publisher

Stephen Spears, Member — Term expires January 2026, Plymouth, Minnesota – Banker

Terri Thao, Vice Chair — Term expired January 2024,* St. Paul, Minnesota – Program Director

*Continues to serve until a successor is appointed and qualified.

Staff

The staff of the Agency presently consists of approximately 300 persons, including professional staff members and contractors who have responsibilities in the fields of finance, law, mortgage underwriting, architecture, construction inspection and housing management. The Attorney General of the State of Minnesota provides certain legal services to the Agency.

The Commissioner is appointed by the Governor. The Act authorizes the Commissioner of the Agency to appoint the permanent and temporary employees as the Commissioner deems necessary subject to the approval of the Commissioner of Management and Budget.

The principal officers and staff related to the Program are as follows:

Jennifer Ho — Commissioner-Designee, appointed effective January 2019. When Governor Tim Walz took office on January 7, 2019, Ms. Ho was appointed Commissioner and has all of the powers and will perform all of the duties of the office. The appointment of Ms. Ho as Commissioner may be confirmed or rejected by the advice and consent of the state of Minnesota Senate. Prior to her appointment, Ms. Ho was the Senior Policy Advisor for Housing and Services at the U.S. Department of Housing and Urban Development during the Obama Administration. Prior to that, she served as deputy director at the United States Interagency Council on Homelessness (USICH), shepherding the creation of Opening Doors, the nation's first-ever comprehensive federal plan to prevent and end homelessness. Ms. Ho worked with former First Lady Michelle Obama to launch the Mayors Challenge to End Veteran Homelessness that resulted in reducing the number of veterans experiencing homelessness on any night by nearly half. In 1999, as Executive Director of Hearth Connection, a Minnesota non-profit, she began her work to end homelessness by managing a nationally-recognized demonstration project on supportive housing and long-term homelessness for single adults, youth and families in Ramsey and Blue Earth counties. Ms. Ho oversaw the replication of that project in 34 additional counties in partnership with the Fond du Lac, Bois Fort and Grand Portage Tribal Bands. She has served on the Boards of Directors for West Side Community Health Services in St. Paul, and nationally for the Corporation

for Supportive Housing and the Melville Charitable Trust. Ms. Ho received a Bachelor of Arts Degree in philosophy from Bryn Mawr College.

Rachel Robinson — Deputy Commissioner, appointed effective March 2019. Prior to this position, Ms. Robinson was Fund Manager for the NOAH Impact Fund, a subsidiary of the Greater Minnesota Housing Fund, a certified Community Development Financial Institution, from 2016 to 2019, responsible for securing investment commitments, structuring transactions, developing investor and partner relations, and ensuring that social impact goals and compliance requirements were met. She has worked in affordable housing development and finance for over 15 years, including with CommonBond Communities from 2011 to 2015, where as Vice President she developed and led enterprise asset management systems, and as Senior Housing Development Manager from 2008 to 2011. Ms. Robinson was also Director of Property Development at Artspace Projects, Inc. from 2015 to 2016. She holds a Master's degree in Urban and Regional Planning from the University of Minnesota Humphrey School of Public Affairs and a Bachelor of Arts degree in Urban Studies from Macalester College, St. Paul, Minnesota.

Michael Solomon — Chief Financial Officer, appointed effective August 2022. In this position, Mr. Solomon leads the finance and accounting teams of the Agency and provides strategic direction regarding the organization's financial resources. Prior to this position he served as Treasurer of the City of Saint Paul overseeing financial operations including cash, investment and debt management in addition to significant work in economic development and financial empowerment. He held other roles in the City's Office of Financial Services from 2012 to 2017 including Debt Manager leading the issuance of debt obligations from a variety of credits utilizing innovative financing tools. Mr. Solomon worked for a local municipal financial advisory and consulting firm from 2008 to 2012 specializing in the issuance and management of municipal debt. He received his degree in Financial Management from the University of St. Thomas in Saint Paul, Minnesota and is an active member of the Government Finance Officers Association, serving on its Treasury and Investment Management committee contributing to best practices and guidance used across the industry.

Debbi Larson — Director of Finance appointed effective December 2019. Ms. Larson was Controller and Director of Financial Operations for the Agency from August 2015 to December 2019. Prior to that position, she was Director of Finance and Information Technology for a subsidiary of Taylor Corporation and responsible for domestic and international locations and, prior to that, was the Chief Financial Officer for a division of the Minnesota Department of Corrections. Ms. Larson previously held various accounting positions of increasing responsibility. Ms. Larson holds a Bachelor of Science degree with a concentration in Accounting from the University of Phoenix, and an MMBA (accelerated MBA program) Executive Leadership certification from the University of St. Thomas.

Irene Kao — General Counsel, appointed effective November 2022. Prior to this position, Ms. Kao was the Intergovernmental Relations Counsel at the League of Minnesota Cities where she served as legislative legal counsel and lobbyist representing cities on issues related to land use and zoning, data practices, Open Meeting Law, procurement, and civil liability. She also serves as adjunct faculty at Mitchell Hamline School of Law. Ms. Kao earned a law degree from Mitchell Hamline School of Law, a Master of Arts degree in College Student Personnel from the University of Maryland College Park and a Bachelor of Arts degree in English and Psychology from the University of Minnesota Twin Cities.

James Lehnhoff — Assistant Commissioner, Multifamily, appointed effective March 2019. Mr. Lehnhoff was most recently the Director of Portfolio Strategy at CommonBond Communities. He has more than 16 years of local government, municipal finance, and real estate development experience, including extensive work in affordable housing development, Pro Forma analysis, land use planning, economic development, community engagement, and project management. Mr. Lehnhoff has successfully implemented complex and nationally recognized affordable housing development projects to advance community goals. Prior to joining CommonBond, he was a municipal advisor at Ehlers & Associates from October 2016 to September 2018, served as the Vice President of Real Estate at Aeon from August 2010 to October 2016, and was the Community Development Director for the City of Arden Hills from January 2006 to August 2010. Mr. Lehnhoff earned a Master's degree in Urban and Regional Planning from the University of Minnesota Hubert H. Humphrey School of Public Affairs and a Bachelor of Arts degree in Geography from the University of Minnesota Duluth.

The Agency's offices are located at 400 Wabasha Street North, St. Paul, Minnesota 55102, and its general telephone number is (651) 296-7608. The Agency's website address is <http://www.mnhousing.gov>. No portion of the Agency's website is incorporated into this Official Statement.

Independent Auditors

The financial statements of the Agency as of and for the year ended June 30, 2023, included in this Official Statement as Appendix B-1, have been audited by RSM US LLP, independent auditors, as stated in their report appearing herein. RSM US LLP has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2023. RSM US LLP also has not performed any procedures relating to this Official Statement.

Financial Statements of the Agency

The Agency financial statements included in this Official Statement as Appendix B-1 as of and for the fiscal year ended June 30, 2023 are presented in combined “Agency-wide” form followed by “fund” financial statements presented for its major funds in order to comply with the requirements of Statement No. 34 of the Governmental Accounting Standards Board (“GASB”).

Information regarding the Minnesota State Retirement System (“MSRS”), to which the Agency contributes, is included in Appendix B-1 in the Notes to Financial Statements at pages 71 through 74 under the heading “Defined Benefit Pension Plan.” The Agency’s allocable portion of net pension liability reported at June 30, 2023, with respect to MSRS was \$11.271 million. The Agency’s total net pension liability and post-employment benefits liability was \$13.428 million as of June 30, 2023.

In Appendix B-2 to this Official Statement, the Agency has included certain unaudited financial statements of the Agency (excluding State Appropriated and Federal Appropriated Funds) as of and for the six months ended December 31, 2023. The Agency has prepared the information in Appendix B-2 and, in the opinion of the Agency, that information reflects all normal recurring adjustments and information necessary for a fair statement of the financial position and results of operations of the Agency (excluding State and Federal Appropriated Funds) for the period, subject to year-end adjustments. The information in Appendix B-2 is not accompanied by a statement from the independent auditors.

Disclosure Information

The Agency will covenant in a Continuing Disclosure Undertaking for the benefit of the Owners and Beneficial Owners (as defined in Appendix C hereto) of the Series Bonds to provide annually certain financial information and operating data relating to the Agency (the “Agency Annual Report”) and to provide notices of the occurrence of certain enumerated events. (There is no other obligated person under the Continuing Disclosure Undertaking.) The Agency must file the Agency Annual Report no later than 120 days after the close of each fiscal year, commencing with the fiscal year ending June 30, 2024, with the Municipal Securities Rulemaking Board, at its EMMA internet repository. The Agency also must file notices of the occurrence of the enumerated events, if any, with EMMA. (See “Appendix C — Summary of Continuing Disclosure Undertaking.”)

During the prior five years, one disclosure report timely filed with EMMA was not timely linked to all outstanding CUSIPs for the associated Bonds of the Agency. The Agency timely filed the Agency Annual Report for its fiscal year ended June 30, 2019 with EMMA; however, that Agency Annual Report was not specifically linked to two CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series C, and three CUSIPs for the Agency’s Residential Housing Finance Bonds, 2014 Series E. The Agency posted that Annual Report to CUSIP 60416SHP8, the only one of the five omitted CUSIPs with respect to bonds still outstanding, on February 1, 2021. In addition, the Agency failed to file with EMMA within 10 business days of the occurrence of a May 22, 2023, downgrade of the short-term rating by S&P of the Agency’s Residential Housing Finance Bonds, 2019 Series H. The Agency did not receive any notice from S&P of that downgrade, which was triggered by the downgrade by S&P of the liquidity provider for those bonds. Upon discovery of the downgrade on July 6, 2023, the Agency that same day posted notice with EMMA of both the downgrade and failure to file to CUSIP 60416SP61. Also, on June 29, 2023, and July 27, 2023, the Agency entered into derivative agreements with The Bank of New York Mellon in connection with the Agency’s Residential Housing Finance Bonds, 2023 Series I, with an issuance date of July 26, 2023, and Residential Housing Finance Bonds, 2023 Series K, with an issuance date of August 24, 2023, respectively. On August 23, 2023, the day after the Agency discovered that it had failed to file event notices regarding each of these financial obligations within 10 business days of their respective incurrence, the Agency posted notice of both the incurrence of those

financial obligations and its failure to file to all CUSIPS of its bonds for which it had an obligation to report these events.

The specific nature of the information to be contained in the Agency Annual Report or the notices of events, and the manner in which these materials are to be filed, are summarized in “Appendix C — Summary of Continuing Disclosure Undertaking.” The Agency has made these covenants to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

In addition to the information required by the Continuing Disclosure Undertaking, the Agency also uses its best efforts to prepare a semiannual disclosure report for the Bond Resolution and a quarterly disclosure report for its single family bond resolutions. Recent reports are available at the Agency’s website at <http://www.mnhousing.gov/investors/disclosure.html>, but no information on the Agency’s website is incorporated into this Official Statement. The Agency is also committed to providing appropriate credit information as requested by any rating agency rating the Bonds at the Agency’s request.

Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund

In addition to its bond funds pledged to the payment of particular bonds by bond resolutions of the Agency, the Agency has also established certain other funds that it has restricted by covenant. Currently, the restricted funds are the General Reserve and the Alternative Loan Fund. The General Reserve contains the Housing Endowment Fund (also referred to as “Pool 1”) and the Agency’s net investment in capital assets. The Alternative Loan Fund, which is held under the Residential Housing Finance Bond Resolution but is not pledged to pay bonds issued thereunder, comprises the Housing Investment Fund (also referred to as “Pool 2”) and the Housing Affordability Fund (also referred to as “Pool 3”). The net position of the General Reserve and the Alternative Loan Fund is not pledged to the payment of the Bonds or any other debt obligations of the Agency but, to the extent funds are available therein, are generally available to pay any debt obligations of the Agency, including the Bonds.

Subject to the restrictions in the Bond Resolution and its other bond resolutions, the Agency may withdraw excess assets from bond funds held thereunder. To the extent the Agency withdraws excess assets from bond funds, the Agency has pledged to deposit those excess assets in the General Reserve or the Alternative Loan Fund, except for any amounts as may be necessary to reimburse the State for money appropriated to restore a deficiency in any debt service reserve fund.

The Agency has further covenanted that it will use the money in the General Reserve and the Alternative Loan Fund only to administer and finance programs in accordance with the policy and purpose of the Act. This includes creating reserves for the payment of bonds and for loans made from the proceeds thereof, and accumulating and maintaining a balance of funds and investments as will be sufficient for that purpose. To ensure that assets available in the General Reserve and the Alternative Loan Fund provide security for the Agency’s bondowners as covenanted in the bond resolutions, the Agency has established investment guidelines for Pools 1 and 2. The investment guidelines are subject to change by the Agency from time to time in its discretion.

Under the net position requirements and investment guidelines effective January 23, 2014, the required size of Pool 1 (which is intended to be a liquidity reserve) is 1 percent of gross loans receivable (excluding mortgage-backed securities, appropriated loans and loans credited to Pool 3) and the required size of Pool 2 is an amount that would cause the combined net position (exclusive of unrealized gains and losses resulting from marking to market investment securities, including mortgage-backed securities, and swaps entered into by the Agency for which the unrealized loss or gain will not be realized if the security or swap is held to maturity or its optional termination date; and realized gains and losses resulting from the purchase and sale of investment securities between Agency funds) in the General Reserve, in Pool 2, and in the funds pledged under bond resolutions to be at least equal to the combined net position of the same funds as of the immediately preceding fiscal year end. Currently, this amount is \$492.196 million, representing the combined net position of these funds so calculated as of June 30, 2023. Pool 2 is intended to comprise amortizing interest-bearing housing loans or investment grade securities. Pool 1 and Pool 2 represent, with assets pledged to pay bonds of the Agency, the sustainable lending operations of the Agency. Pool 3 represents the more mission-intensive operations of the Agency and is intended to comprise deferred, zero percent and low interest-rate loans and grants and, for unapplied funds, investment grade securities. Pool 3 is not subject to the investment guidelines. Loan activity related to loans financed by funds in Pool 2 and Pool 3 is recorded as part of the Alternative Loan Fund. The Agency approves all interfund transfers. A further discussion of Pools 1, 2 and 3 and the amounts

credited thereto as of June 30, 2023 appears in the Notes to Financial Statements of the Agency included in Appendix B-1 to this Official Statement at pages 69 and 70 under the heading “Net Position — Restricted by Covenant.”

The following summary indicates the revenues earned, the expenses paid, and funds transferred to and from the General Reserve (which contains Pool 1 and net investment in capital assets), for the two most recent audited fiscal years of the Agency and for the six-month period ended December 31, 2023 (unaudited) (in thousands):

	Six months Ended December 31, 2023 <u>(unaudited)</u>	Fiscal Year Ended <u>June 30, 2023</u>	Fiscal Year Ended <u>June 30, 2022</u>
Revenues			
Fees earned and other income ⁽¹⁾	\$8,205	\$14,901	\$12,372
Interest earned on investments	588	823	157
Unrealized gain (loss) on investments	--	--	--
Administrative reimbursement ^{(2), (3)}	<u>24,276</u>	<u>34,959</u>	<u>31,161</u>
Total revenues	33,069	50,673	43,690
Expenses			
Salaries and benefits	19,544	29,219	17,676
Other general operating expenses	6,153	5,574	4,282
Interest	<u>157</u>	<u>359</u>	<u>423</u>
Total expenses	25,854	35,152	22,381
Revenues over expenses	7,215	15,521	21,309
Non-operating transfer of assets between funds ⁽⁴⁾	(7,534)	(14,922)	(22,153)
Change in net position	(319)	599	(844)
Net position beginning of period	<u>9,490</u>	<u>8,891</u>	<u>9,735⁽⁵⁾</u>
Net position end of period	<u>\$ 9,171</u>	<u>\$9,490</u>	<u>\$8,891</u>

(1) Fees earned consist primarily of fees collected in conjunction with the administration of the low income housing tax credit program and HUD contract administration of certain non-Agency financed Section 8 developments.

(2) The Agency transfers bond funds to the General Reserve for administrative reimbursement in accordance with the Agency's Affordable Housing Plan based on the adjusted assets of the bond funds. Adjusted assets are defined generally as total assets (excluding the reserve for loan loss), unrealized gains or losses on investments (including mortgage-backed securities and interest rate swap agreements), deferred loss on interest rate swap agreements and assets relating to escrowed debt.

(3) Reimbursement from appropriated accounts consists of the portion of direct and indirect costs of administering the programs funded by the appropriations. The Agency recovers costs associated with administering state appropriations only to the extent of interest earnings on the appropriations. Costs associated with administering federal appropriations generally are recovered from the appropriations.

(4) The Agency may transfer excess assets from bond funds to the General Reserve to the extent permitted by the resolution or indenture securing bonds of the Agency. In addition, the Agency may transfer funds in excess of the requirement for Pool 1 from the General Reserve to the Alternative Loan Fund. See the comments under the headings “Interfund Transfers” and “Net Position Restricted by Covenant” in the Notes to Financial Statements of the Agency in Appendix B-1 to this Official Statement for additional information.

(5) Adjusted pursuant to required GASB 87 treatment of Leases as of July 1, 2021.

State Appropriations

Over the years, the State Legislature has appropriated funds to the Agency to be used for low interest loans, grants, programs for low and moderate income persons and families and other housing related program costs. The Agency generally does not pay its general or administrative expenses from appropriated funds, although it can recover its allocable costs of administering State appropriations from investment earnings thereon. The State Legislature has appropriated funds to the Agency for its programs in every biennium since 1975. The Agency has expended or committed most of the appropriations.

Over the biennial periods ended June 30, 2015, through June 30, 2023, the total appropriations to the Agency aggregated approximately \$562.15 million. For the biennial period ending June 30, 2025, the Legislature has appropriated approximately \$1.065 billion to the Agency.

The appropriations are not available to pay debt service on the Bonds.

Agency Indebtedness

The principal amount of bonds and notes of the Agency that are outstanding at any time (excluding the principal amount of any refunded bonds and notes) is limited to \$5,000,000,000 by State statute. The following table lists the principal amounts of general obligation indebtedness of the Agency outstanding as of January 31, 2024:

	Number of Series*	Final Maturity	Original Principal Amount* (in thousands)	Principal Amount Outstanding (in thousands)
Rental Housing Bonds	11	2049	\$ 78,590	\$ 77,850
Residential Housing Finance Bonds	85	2054	4,817,140	3,358,345
Homeownership Finance Bonds	59	2052	2,674,572	976,674
Multifamily Housing Bonds (Treasury HFA Initiative)	1	2051	15,000	12,380
Totals	156		\$7,585,302	\$4,425,249

*Does not include series of bonds or the original principal amount of any bonds that had been, as of January 31, 2024, defeased or paid in full, whether at maturity or earlier redemption.

The payment of principal of and interest on general obligations of the Agency as shown above may be made, if necessary, from the General Reserve or the Alternative Loan Fund. (See “Net Position Restricted By Covenant and Operations to Date—General Reserve; Alternative Loan Fund” above.)

The Agency has entered into liquidity facilities and interest rate swap agreements in respect of its outstanding Residential Housing Finance Bonds that bear interest at a variable rate or floating rate and may be subject to optional and mandatory tender. Certain information related to those variable rate demand bonds, floating rate term bonds, liquidity facilities and swap agreements is included in the Notes to Financial Statements contained in Appendix B-1 to this Official Statement and in the unaudited financial statements contained in Appendix B-2 to this Official Statement. The Agency does not make any representation as to the creditworthiness of any provider or counterparty on facilities and agreements relating to its variable rate bonds.

Certain of the swap agreements obligate the Agency to make periodic fixed rate payments and entitled the Agency to receive periodic payments based on the United States dollar-denominated London Interbank Offered Rate (“USD LIBOR”); as of July 1, 2023, all of such swap agreements have been amended in accordance with industry protocols to replace USD LIBOR with the secured overnight financing rate (“SOFR”), a rate published by the Federal Reserve Bank of New York, but otherwise retaining the same computational periods.

In 2009, the Agency issued \$13,270,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2009, to finance permanent supportive housing in two different multifamily housing developments. In 2011, the Agency issued \$21,750,000 in aggregate principal amount of its Nonprofit Housing Bonds (State Appropriation), Series 2011, to finance permanent supportive housing in five additional multifamily housing developments. Both series of bonds were issued under a separate indenture of trust, are not general obligations of the

Agency and are not payable from any funds or assets of the Agency other than the appropriations the Agency expects to receive from the State General Fund pursuant to a standing appropriation made by the Legislature in 2008.

From time to time, beginning in 2012, the Legislature has authorized the Agency to issue housing infrastructure bonds (the “Housing Infrastructure Bonds”) for various purposes payable, like the Nonprofit Housing Bonds, solely from a standing appropriation from the State General Fund and not from any other funds or assets of the Agency. The aggregate principal amount of Housing Infrastructure Bonds that the Agency may issue is \$515,000,000. The Agency has issued 32 series of its State Appropriation Bonds (Housing Infrastructure) in 2013 through 2023 in an aggregate principal amount of \$498,130,000 under a separate indenture of trust.

On December 23, 2021, the Agency issued its Third Amended and Restated Bank Note (the “Amended Bank Note”) to Royal Bank of Canada (the “Bank”), pursuant to a Revolving Credit Agreement dated as of June 1, 2018, as amended by a First Amendment to Revolving Credit Agreement dated as of October 28, 2019, a Second Amendment to Revolving Credit Agreement dated as of November 22, 2019, a Third Amendment to Revolving Credit Agreement dated as of November 12, 2020, a Fourth Amendment to Revolving Credit Agreement dated as of February 25, 2021, a Fifth Amendment to Revolving Credit Agreement dated as of December 23, 2021, a Sixth Amendment to Revolving Credit Agreement dated as of December 14, 2022 and a Seventh Amendment to Revolving Credit Agreement dated as of December 22, 2023 (the “Amended Revolving Credit Agreement”), and as further amended from time to time, for the purpose of preserving current private activity bond volume cap by refunding the maturing principal or redemption price, as the case may be, of portions of Homeownership Finance Bonds and Residential Housing Finance Bonds previously issued by the Agency (collectively, the “Single Family Housing Bonds”). Upon the refunding of Single Family Housing Bonds with amounts advanced to the Agency pursuant to the Amended Revolving Credit Agreement as evidenced by the Amended Bank Note, funds representing prepayments and repayments of mortgage loans financed with Single Family Housing Bonds, and other amounts available under the applicable bond resolution for the payment of those Single Family Housing Bonds, will be deposited into a cash collateral fund established under a separate amended and restated indenture of trust, as amended (the “2018 Revolving Credit Indenture”), between the Agency and Computershare Trust Company, National Association, as successor trustee, as security for the repayment of the principal amount of the Amended Bank Note that has been advanced to the Agency. The Bank agrees to make advances until December 27, 2024, a later date if extended by the Bank or an earlier date upon an event of default or a termination pursuant to the terms of the Amended Revolving Credit Agreement or if the Agency elects an earlier termination. The amount of the advances outstanding and not repaid with respect to the Amended Bank Note bear interest at a variable interest rate equal to the forward looking Term SOFR Reference Rate for the following one month interest period plus a spread (currently 0.65%) and may not exceed \$75,000,000 at any time, and the cumulative amount of the advances made may not exceed \$1,700,000,000. The obligation of the Agency to pay the interest on, but not the principal of, the Amended Bank Note is a general obligation of the Agency. The Agency has requested advances in the aggregate principal amount of \$[1,189,879,799, \$17,207,136] of which is outstanding.

Agency Continuity of Operations Plan

Certain external events, such as pandemics, natural disasters, severe weather, technological emergencies, riots, acts of war or terrorism or other circumstances, could potentially disrupt the Agency’s ability to conduct its business. A prolonged disruption in the Agency’s operations could have an adverse effect on the Agency’s financial condition and results of operations. To plan for and mitigate the impact such an event may have on its operations, the Agency has developed a Continuity of Operations Plan (the “Plan”). The Plan is designed to (i) provide for the continued execution of the mission-essential functions of the Agency and minimize disruption if an emergency threatens, interrupts or incapacitates the Agency’s operations, (ii) provide Agency leadership with timely direction, control and coordination before, during and after an emergency or similar event, and (iii) facilitate the return to normal operating conditions as soon as practical based on the circumstances surrounding any given emergency or similar event. No assurances can be given that the Agency’s efforts to mitigate the effects of an emergency or other event will be successful in preventing any and all disruptions to its operations.

Cybersecurity

The Agency relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private and sensitive information, the Agency faces multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware, phishing, business email compromise, and other attacks on

computers and other sensitive digital networks, systems, and assets. Housing finance agencies and other public finance entities have been targeted by outside third parties, including technologically sophisticated and well-resourced actors, attempting to misappropriate assets or information or cause operational disruption and damage. Further, third parties, such as hosted solution providers, that provide services to the Agency, could also be a source of security risk in the event of a failure of their own security systems and infrastructure.

The Agency uses a layered approach that employs sound operational strategies and security technology solutions to secure against, detect, and mitigate the effects of cyber threats on its infrastructure and information assets. The Agency conducts regular information security and privacy awareness training that is mandatory for all Agency staff. The Agency's Business Technology Support group has management responsibility for all information technology and leads the efforts of the Agency to keep its cyber assets secure. The Agency's Business Technology Support group and contracted services from the Office of MN.IT Services, an agency of the executive branch of the State, regularly conduct risk assessments, audits and tests of the Agency's cybersecurity systems and infrastructure.

Despite its efforts, no assurances can be given that the Agency's security and operational control measures will be successful in guarding against any and each cyber threat and attack, especially because the techniques used by perpetrators are increasingly sophisticated, change frequently, are complex, and are often not recognized until launched. To date, cyber attacks have not had a material impact on the Agency's financial condition, results or business; however, the Agency is not able to predict future attacks or their severity. The results of any attack on the Agency's computer and information technology systems could impact its operations for an unknown period of time, damage the Agency's digital networks and systems, and damage the Agency's reputation, financial performance, and customer or vendor relationships. Such an attack also could result in litigation or regulatory investigations or actions, including regulatory actions by state and federal governmental authorities. The costs of remedying any such damage could be substantial and such damage to the Agency's reputation and relationships could adversely affect the Agency's ability to conduct its programs and operations in the future.

THE DEVELOPMENT

The Development

The Agency intends to use the proceeds of the Series B-1 Bonds to make a long-term first lien Mortgage Loan and the proceeds of the Series B-2 Bonds to make a short-term second lien Mortgage Loan that will finance a portion of the costs of the acquisition and rehabilitation of a multifamily housing development. The Development, known as Walnut Towers, will be the acquisition and rehabilitation of a nine-story elevator building, for elderly and disabled residents having an address of 105 East Walnut Street, Mankato, Minnesota 56001, built in 1978. The Development has 86 residential units, all of which are subject to a U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payment Contract (the "HAP Contract"). The total development cost is estimated to be approximately \$24.80 million. The Development is expected to be completed by March 2025. The Development will be acquired and rehabilitated by Walnut Towers Limited Partnership, a Minnesota limited partnership.

The Agency expects to use the proceeds of the Series B-1 Bonds to be deposited in the Mortgage Loan Account to make a fully amortizing first lien Mortgage Loan with respect to the Development on the date of issuance of the Series Bonds. The first Mortgage Loan, in the principal amount of \$5.53 million,* will be insured upon completion of rehabilitation under the HUD Risk-Sharing Program, with HUD through the Federal Housing Administration insuring 100% of any loss less certain deductions and the Agency reimbursing HUD for 50% of any loss. (See "The Rental Housing Program—Low and Moderate Income Rental Program.") The first Mortgage Loan will be amortized in level monthly payments of principal and interest over a term of 40 years, commencing on _____* and concluding on _____. The first lien Mortgage Loan has been established in an amount estimated to be supported by the net operating income of the Development. The Agency will also make a non-amortizing second lien bridge Mortgage Loan with respect to the Development, which is also expected to close on the date of issuance of the Series Bonds and will mature in full on _____* in the total principal amount of \$4.06 million,* from the proceeds of the Series B-2 Bonds. The bridge Mortgage Loan will not be insured, but is expected to be repaid from equity contributions from the tax credit investor and will be secured in part by completion, repayment, and operations guaranties from Trellis Co. The Agency will also make two zero percent deferred payment loans in the aggregate principal amount of \$8.363 million* and a bridge loan in the principal amount of \$2.065* million for the benefit of the Development.

The Development is benefited by a project-based HAP Contract the most recent renewal of which has an expiration date of [July 31, 2024] [new 20-year HAP contract expected prior to close of loans]. The borrower will enter into a covenant with the Agency under which it agrees to take all actions necessary to maintain housing assistance benefits for the Development during the life of the Mortgage Loans, to the extent housing assistance benefits are available from HUD or other sources. There is no assurance that housing assistance benefits will be made available after the expiration of the existing renewal HAP Contract or that the available housing assistance benefits will provide assistance at rent levels equal to the levels provided under the existing renewal HAP Contract. (See “The Rental Housing Program—Section 8 Housing Assistance Payment Program.”)

As a result of the issuance of the Series Bonds, all of the dwelling units in the Development will be eligible for low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended. Occupancy in all of those dwelling units will be limited to households with incomes at initial occupancy at or below 60 percent of the area median income, adjusted for household size, for a period of 50 years.

Estimated Sources and Uses of Series Bond Proceeds and Agency Funds

The estimated sources and uses of proceeds of the Series Bonds and funds to be provided by or through the Agency are as follows:

Sources:

Principal Amount of Series Bonds	\$9,590,000*
Funds Available to the Agency	_____
Total Sources of Funds.....	<u>\$ _____.</u>

Uses:

Series A Mortgage Loan Account	\$9,590,000*
Revenue Fund	_____
Debt Service Reserve Fund	_____
Costs of Issuance	_____
Total Uses of Funds	<u>\$ _____.</u>

THE SERIES BONDS

The Series Bonds will be fully registered bonds initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) which will act as securities depository for the Series Bonds. Computershare Trust Company, National Association, Minneapolis, Minnesota, serves as successor Trustee under the Bond Resolution.

The Series B-1 Bonds will be issued as term bonds in the denominations of \$5,000 or any integral multiple thereof each of a single stated maturity. The Series B-2 Bonds will be issued as bonds of a single stated maturity in the denominations of \$5,000 or any integral multiple thereof. The Series Bonds mature, subject to redemption as herein described, on the dates and in the amounts set forth on the inside front cover hereof.

Each series of the Series Bonds bears interest from their dated date, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2024,* at the respective rates set forth on the inside front cover hereof until payment of the principal or redemption price of those Series Bonds. As long as a series of the Series Bonds is in book-entry form, interest on those Series Bonds will be paid by moneys wired by the Trustee to DTC, or its nominee, as registered owner of the Series Bonds, and DTC will redistribute that interest. (See Appendix E – “Book-Entry-Only System.”)

*Preliminary, subject to change.

For every exchange or transfer of Series Bonds, whether temporary or definitive, the Agency or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to that exchange or transfer.

Sinking Fund Redemption of Series B-1 Bonds

The Series B-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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The Series B-1 Bonds maturing on August 1, ____* are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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The Series B-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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*Preliminary, subject to change.

The Series B-1 Bonds maturing on August 1, ____ are subject to mandatory redemption in part on each February 1 and August 1, commencing ____ 1, ____* and concluding ____ 1, ____*, at their principal amount plus accrued interest, without premium, from funds in the Sinking Fund Account, in the years and in the principal amounts as follows:

<u>Date*</u>	<u>Principal Amount*</u>	<u>Date*</u>	<u>Principal Amount*</u>
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Upon optional redemption of Series B-1 Bonds or any purchase and cancellation thereof by the Agency, the principal amount of such Series B-1 Bonds so redeemed or purchased may be credited toward one or more Sinking Fund Installments thereafter to become due on Series B-1 Bonds in the manner specified by the Agency. The portion of any Sinking Fund Installment remaining after the deductions credited to such payments is the unsatisfied balance of such Sinking Fund Installment with respect to the Series B-1 Bonds for the purpose of calculating the payment due on or scheduled for a future date.

Special Redemption at Par

The Agency may redeem the Series Bonds, at its option, in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued interest, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with amounts allocable to the Development on deposit in the Debt Service Reserve Fund; (ii) in the event the Agency receives or recovers Recovery Payments (as defined in Appendix D) relating to the Development; and (iii) with respect to the Series B-1 Bonds, in the event the Agency receives a Prepayment relating to the Development upon a determination by HUD that such Prepayment will avoid a mortgage insurance claim and is therefore in the best interests of the federal government. The Agency will apply any unexpended proceeds, Recovery Payments or Prepayments to the redemption of Series Bonds, as determined by the Agency. If Recovery Payments or Prepayments are not sufficient to redeem all Outstanding Series Bonds, the Agency may apply other funds to redeem the Series Bonds in addition to the Recovery Payments or Prepayments.

Optional Redemption

The Agency may redeem the Series B-1 Bonds at its option, in whole or in part, on any date on or after _____ 1, 2034,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium. The Agency may redeem the Series B-2 Bonds at its option, in whole or in part, on any date on or after _____ 1, 2025,* in amounts as the Agency may designate, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

General Redemption Provisions

Any Series Bonds to be redeemed other than upon mandatory sinking fund redemption will be redeemed only upon receipt by the Trustee of a certificate signed by an authorized officer of the Agency stating the series and principal amount of the Series Bonds to be redeemed. If less than all Series Bonds of a series are to be redeemed, the Series

*Preliminary, subject to change.

Bonds to be redeemed are to be selected in \$5,000 principal amounts at random by the Trustee. The Agency will not at any time cause Series Bonds to be optionally redeemed if this would have any material adverse effect on its ability to pay when due the principal of and interest on the Bonds Outstanding after the redemption.

The Trustee is required to mail a copy of the notice of redemption to the registered owner of any Series Bond called for redemption at least 30 days prior to the redemption date. Any defect in or failure to give the required mailed notice of redemption will not affect the validity of any proceedings for the redemption of Series Bonds not affected by that defect or failure.

SECURITY FOR THE BONDS

Outstanding Bonds, including the Series Bonds, are secured as provided in the Bond Resolution by a pledge and a grant of a security interest in (a) all proceeds of the sale of Bonds (other than proceeds deposited in trust for the retirement of outstanding bonds and notes), (b) all Mortgage Loans and Investments made or purchased from the proceeds, (c) all Revenues as defined in the Bond Resolution, and (d) money, Investments, and other assets and income held in and receivables of Funds established by or pursuant to the Bond Resolution. The Bonds, including the Series Bonds, are also general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject only to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds, and federal or State laws heretofore or hereafter enacted pledging particular funds for a specified purpose. The pledge and security interests granted by the Bond Resolution are for the equal benefit, protection and security of Holders of all Bonds, including the Series Bonds.

The Agency has no taxing power. The State of Minnesota is not liable for the payment of the Bonds, including the Series Bonds, and the Series Bonds are not a debt of the State.

Mortgage Loans

The Bond Resolution requires, except in certain circumstances hereinafter described, that each Mortgage Loan be secured by a first mortgage lien (subject to permitted encumbrances) on the real property, or leasehold interest of the Mortgagor in the real property under a lease with a term at least twice the length of the term of the Bonds, that is the site of the Development financed by that Mortgage Loan, and all improvements thereon. At the initial closing for each Development, the Agency receives a recorded Mortgage and a mortgagee's title insurance policy in the amount of the Mortgage Loan. The Agency may also participate with other parties in the making of a Mortgage Loan if the Agency's mortgage lien, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The Bond Resolution also permits the Agency, if it holds a Mortgage that constitutes a first mortgage lien on a Development, to make an additional Mortgage Loan for the Development and secure the additional Mortgage Loan by a Mortgage on a parity with or junior and subordinate to the first lien Mortgage held by the Agency. In addition, the Bond Resolution allows the Agency to make Subordinate Mortgage Loans with respect to a Development upon the terms and conditions as the Agency may deem appropriate, but solely from amounts that would otherwise be available to be removed by the Agency from the lien of the Bond Resolution.

Under the Bond Resolution, there will at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution that, when added to any other legally enforceable payments on Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from the calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that this covenant is met, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions must be based upon the Agency's reasonable expectations as of the date of the determination. The Agency may forgive a portion of the interest on any Mortgage Loan provided that, after giving effect to the reduction and all similar reductions then in effect, the Agency continues to comply with the covenant.

The scheduled payments of the Principal Installments of and interest on the Bonds are generally based on the receipt of scheduled payments by the Agency on the Mortgage Loans and any Subordinate Mortgage Loans, together with capitalized interest and estimated investment income of certain Funds and Accounts established by the Bond Resolution, to the extent provided therein. The ability of the Mortgagors to make scheduled payments to the Agency depends, among other things, on the Developments achieving and sustaining occupancy and rental levels necessary to generate rental income that, together with any applicable subsidies, the Agency expects will be sufficient to meet the required loan payments, to fund required reserves and escrows and to meet operating expenses. Under the Bond Resolution, the Agency (unless otherwise required by any agency of the United States guaranteeing, insuring or otherwise assisting in the payment of the Mortgage Loan or Subordinate Mortgage Loan) may give its consent to Prepayment of a Mortgage Loan or Subordinate Mortgage Loan only if certain conditions as described under the caption “Summary of Certain Provisions of the Bond Resolution — Mortgage Provisions and Conditions — Prepayments” in Appendix D hereto have been met. If any Mortgage Loan or Subordinate Mortgage Loan goes into default or investment income differs from the amounts estimated to be received, the amount of money available for the payment of Principal Installments of and interest on the Bonds may be adversely affected; however, as is described elsewhere in this Official Statement, moneys may be available from other sources, including the Debt Service Reserve Fund.

Appendix A to this Official Statement contains a brief description of the Mortgage Loans outstanding as of December 31, 2023 that have been financed by Bonds or that have been pledged as additional security under the Bond Resolution for the payment of Outstanding Bonds.

Debt Service Reserve Fund

The Debt Service Reserve Requirement for the Series B-1 Bonds is \$_____,* which is equal to the maximum annual debt service payable on Outstanding Series B-1 Bonds in any future fiscal year of the Agency. Upon issuance of the Series B-1 Bonds, cash or Investment Obligations valued at not less than \$_____,* as calculated under the Bond Resolution, and acquired with Agency funds, not proceeds of the Series Bonds, will be deposited into the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the Series B-1 Bonds.

No funds will be credited to the Debt Service Reserve Fund with respect to the Series B-2 Bonds (and the Debt Service Reserve Requirement in respect of the Series B-2 Bonds will be \$0.00), since, in addition to the other security provided pursuant to the Bond Resolution, payment of principal with respect to the short-term portion of the Mortgage Loan funded by the Series B-2 Bonds will be secured as described under “The Development.”

Upon issuance of the Series Bonds, the aggregate Debt Service Reserve Requirement for the Bond Resolution will be approximately \$_____* and the value of the investments in the Debt Service Reserve Fund as calculated under the Bond Resolution will not be less than the aggregate Debt Service Reserve Requirement. The Debt Service Reserve Fund secures all Bonds issued under the Bond Resolution, including the Series Bonds, on an equal basis.

The Act provides that the Agency may create and establish one or more debt service reserve funds for the security of its bonds. The Agency will use moneys held in or credited to a debt service reserve fund solely for the payment of principal of bonds of the Agency as the same mature, the purchase of those bonds, the payment of interest thereon or the payment of any premium required when the bonds are redeemed before maturity, provided that the moneys in that fund must not be withdrawn therefrom at any time in an amount as would reduce the amount reasonably necessary for the purposes of the fund, except for the purpose of paying principal and interest due on the bonds secured by the fund for the payment of which other moneys of the Agency are not available. The Agency may not issue any additional bonds or notes that are secured by a debt service reserve fund if the amount in that debt service reserve fund or any other debt service reserve fund at the time of that issuance does not equal or exceed the minimum amount required by the resolution creating that fund unless the Agency deposits in each fund at the time of the issuance from the proceeds of the bonds or otherwise an amount that, together with the amount then in the fund, will be no less than the minimum amount so required. The Act further provides that:

*Preliminary, subject to change.

In order to assure the payment of principal and interest on bonds and notes of the agency and the continued maintenance of all debt service reserve funds created and established therefor, the agency shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amounts certified by the agency

....

In the opinion of Bond Counsel and counsel to the Agency, the Legislature is legally authorized, *but not legally obligated*, to appropriate those amounts to the Debt Service Reserve Fund.

Additional Bonds

The Bond Resolution permits the issuance of additional Bonds, upon the adoption of a series resolution, to provide funds for the purpose of financing Mortgage Loans for Developments under the Agency's programs of making Mortgage Loans and, in addition, to refund outstanding Bonds or other obligations issued to finance Mortgage Loans, upon certain conditions contained therein (see Appendix D – "Summary of Certain Provisions of the Bond Resolution—Additional Bonds"), without limitation as to amount except as may from time to time be provided by law. Any additional Bonds issued under the Bond Resolution will be secured on an equal basis with the Series Bonds and the Outstanding Bonds and entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

Nothing in the Bond Resolution prohibits the financing of other multifamily housing developments under other bond resolutions.

State Pledge Against Impairment of Contracts

The State in the Act has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with them or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Holders, are fully met and discharged.

THE RENTAL HOUSING PROGRAM

The Bond Resolution is currently the primary source of funds borrowed by the Agency to fund its multifamily housing programs. The proceeds of Bonds issued under the Bond Resolution are lent by the Agency to for-profit, nonprofit and limited profit sponsors that agree to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families with low and moderate incomes.

The precise nature of the multifamily housing programs financed under the Bond Resolution has varied over the years and is expected to continue to vary based on the housing needs of the State of Minnesota and resources available to address those needs. There follows a description of the housing programs for which there are loans outstanding that were either funded from Bond proceeds under the Bond Resolution or are pledged as additional security under the Bond Resolution. All of the Developments financed under the Bond Resolution in recent years have been processed under the Low and Moderate Income Rental Program, either as long-term loans or as bridge loans. Recently originated loans have included the acquisition and construction of rental properties that will be eligible for federal low-income housing tax credits and loans for the preservation of existing federal subsidies under the Section 8 program.

The existing Developments financed by Outstanding Bonds have been originated under the following programs:

- Low and Moderate Income Rental Program (including HUD Risk-Sharing Program)
- Section 8 Housing Assistance Payment New Construction/Substantial Rehabilitation Program (Uninsured Developments)/Asset Management Program

In addition to the programs listed above, loans contributed as additional security under the Bond Resolution have been financed under the following program:

- Market Rate Mortgage Loan Program

The following table provides summary data regarding the outstanding loans financed or pledged as a portion of the security for the Rental Housing Bond Resolution as of December 31, 2023 for the programs as listed above:

Rental Housing Program Mortgage Loan Program Summary as of December 31, 2023

Program	Number of Loans	Number of Units	Outstanding Loan Amount	Percentage of Total Amount
Section 8 Housing Assistance Payments/Asset Management Program*	9	656	\$17,252,925	9.14%
Low and Moderate Income Rental Program**	64	4,251	170,361,479	90.21
Market Rate Mortgage Loan Program...	2	163	1,228,523	0.65
	<u>75</u>	<u>5,070</u>	<u>\$188,842,927</u>	<u>100.00%</u>

*Includes six HUD Risk-Sharing loans for Developments originally financed with loans originated under this program with 538 aggregate units and an aggregate outstanding loan amount of \$16,124,031.

**Includes 39 HUD Risk-Sharing loans for Developments with 2,696 aggregate units and an aggregate outstanding loan amount of \$77,893,212, including one loan for a Development with 30 units and an aggregate outstanding loan amount of \$1,771,843 that was a refinance of an existing third-party loan, and eight bridge loans for Developments with 490 units and an aggregate outstanding loan amount of \$65,000,000, including one bridge loan for a Development with 52 units and an aggregate outstanding loan amount of \$10,640,000 that is not bridging a Low and Moderate Income end loan.

Low and Moderate Income Rental Program

The Low and Moderate Income Rental Program (the “LMIR Program”) is the program under which the Agency is currently making loans funded from the proceeds of Bonds issued under the Bond Resolution. Some of the loans involve the preservation of existing federal housing subsidies. The federal housing subsidies preserved in connection with loans under the LMIR Program have included Section 8 project-based assistance; this subsidy program is described below. Most recent developments financed under this program have also benefited from the receipt of federal low-income housing tax credits.

In the LMIR Program, which is administered by the Multifamily Division of the Agency, the Agency uses the proceeds of Bonds issued under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The Agency, under the LMIR Program, may also use other available funds to provide permanent and construction loan financing for the acquisition/rehabilitation, refinance/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds or other available funds are lent by the Agency to nonprofit or limited profit entities that agree

to construct or rehabilitate the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. Several of the loans made under the LMIR Program have been insured under the FHA Section 223(a)(7) and 241 insurance programs. Generally, loans to Developments financed under the LMIR Program also receive one or more low- or non-interest bearing, non-amortizing subordinate loans that facilitate keeping rents below market rate levels and reduce the amount of amortizing debt.

In the Agency's administration of its LMIR Program, the Agency has made Mortgage Loans of up to 100 percent of total development costs. Mortgage Loans for Developments are generally made for terms of 30 to 40 years or are made as short-term loans payable when construction or rehabilitation is completed.

HUD Risk-Sharing Program

As part of the LMIR Program under the Bond Resolution, the Agency has made and expects to make Mortgage Loans under the Department of Housing and Urban Development Housing Finance Agency Risk-Sharing Program for Insured Affordable Multifamily Project Loans ("HUD Risk-Sharing Program"). Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of the Department of Housing and Urban Development ("HUD") to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to enable those HFAs to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible projects. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows HFAs to carry out certain HUD functions, including the assumption of underwriting, loan management and property disposition functions and responsibility for defaulted loans, and provides for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.

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

Projects eligible to be insured under the HUD Risk-Sharing Program include projects receiving Section 8 or other rental subsidies, single room occupancy projects, board and care/assisted living facilities and elderly projects. Transient housing or hotels, projects in military impact areas, retirement service centers, and nursing homes or intermediate care facilities are specifically excluded from eligibility for insurance under the program.

The Agency has been designated by HUD as a "qualified HFA" under the Risk-Sharing Act. The Agency has entered into a risk-sharing agreement with HUD dated as of May 3, 1994 (the "Risk-Sharing Agreement") which sets out the terms for the Agency's participation in the HUD Risk-Sharing Program. The Agency has a "Level I" and "Level II" approval under the regulations, which means the Agency agrees to reimburse HUD for 50 percent, or from 10 percent to 50 percent, of any losses incurred as a result of a default under a HUD Risk-Sharing Program loan. "Level I" approval permits the Agency to use its own underwriting standards and loan terms and conditions (as disclosed and submitted with its application) to underwrite and approve loans with review and approval by the local HUD office. Most of the Developments committed to be financed to date under the HUD Risk-Sharing Program have been insured based upon a 50/50 split of any losses.

Prior to funding of a Mortgage Loan by the Agency, HUD issues a Risk-Sharing Firm Approval Letter under which it agrees to endorse the Mortgage Note either at closing (in which case all advances are insured) or upon completion of construction and satisfaction of various conditions relating to the Mortgage Loan, including funding of all anticipated sources of funds. If the Mortgage Note is not endorsed until completion of construction, HUD is not obligated to reimburse the Agency for any losses that occur as a result of a default under the loan documents prior to completion of construction and endorsement of the Mortgage Note for insurance by HUD.

A mortgagee under an FHA-insured mortgage is entitled to receive the benefits of insurance after the mortgagor has defaulted and that default continues for a period of 30 days. If the default continues to exist at the end of the 30-day grace period, the mortgagee is required to give HUD written notice of the default within 10 days after

that grace period and monthly thereafter, unless waived by HUD, until the default has been cured or the Agency has filed an application for an initial claim payment. Unless a written extension is granted by HUD, the Agency must file an application for initial claim payment (or, if appropriate, for partial claim payment) within 75 days from the date of default unless extended at the request of the HFA. The initial claim amount is based on the unpaid principal balance of the mortgage note as of the date of default, plus interest at the mortgage note rate from the date of default to the date of initial claim payment. HUD must make all claim payments in cash. The initial claim payment is equal to the initial claim amount, less any delinquent mortgage insurance premiums, late charges and interest assessment under the Regulations. Within 30 days of the initial claim payment, the HFA must use the proceeds of the initial claim payment to retire any bonds or any other financing mechanisms and must also issue to HUD a debenture, payable in five years unless extended, in an amount equal to the amount of the initial claim payment, representing the HFA's reimbursement obligation to HUD under its Risk-Sharing Agreement.

The Regulations provide that not later than 30 days after either (1) foreclosure sale or sale after acceptance of a deed-in-lieu of foreclosure or (2) expiration of the term of the HFA debenture, loss on the mortgaged property is determined and allocated between HUD and the HFA in accordance with their respective percentages of risk specified in the Mortgage Note and the Risk-Sharing Agreement.

The Agency Regulatory Agreement

The uninsured Section 8-assisted Developments and Developments financed under the LMIR and HUD Risk-Sharing Programs are all subject to regulatory agreements with the Agency regulating their rents, distributions, occupancy, management and operation. The regulatory agreements are in effect during the entire term of the Mortgage Loan. Under the regulatory agreements, a limited-profit or nonprofit owner may not make distributions to its partners or members in any one year in excess of a percentage of its initial equity in a Development. The allowable percentage of equity ranges from 6 percent to 15 percent, depending on the program under which the Mortgage Loan was financed.

Section 8 Program

General Description

Under the Section 8 Program, HUD provides for the payment of a subsidy for the benefit of low income families, which are defined generally as those families whose incomes do not exceed 80 percent of the median income for the area, as determined by HUD. Until recent years, almost all of the Developments with Section 8 subsidies financed by the Agency were financed from a set-aside from HUD under which the Developments were underwritten and financed by the Agency. The Agency entered into Traditional Contract Administration ("TCA") Annual Contributions Contracts ("ACC"s) with HUD and Section 8 Housing Assistance Payments Contracts ("HAP Contracts") with owners under which the subsidy payments were made on behalf of tenants in the Developments. Pursuant to the ACC for each Development, HUD committed funding through the entire term of the HAP Contract. The Agency receives monthly subsidy payments with respect to each assisted dwelling unit, and then in turn disburses or credits monthly housing assistance payments to the owner of the Development under the HAP Contract. In addition, several of these Developments also received an Agency first mortgage loan, some of which were insured under an FHA insurance program. After the initial contract expiration, many of these HAP Contracts have been renewed for a period of 20 years. The owner has the option to renew for a shorter term. It is anticipated, but not assured, that HUD will continue to provide the opportunity for owners to renew expiring HAP Contracts under the provisions of Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. In recent years, the Agency has provided new financing (deferred or amortizing) to Developments with HAP Contracts, many in conjunction with a Declaration of Covenants, Conditions and Restrictions pursuant to which the owner has agreed to continuously renew the HAP Contract through the maturity date of the Agency's Mortgage Loan. It is anticipated, but not assured, that the federal government will continue to provide these owners with the option to renew their HAP Contracts upon expiration. Renewals of HAP Contracts beyond the expiration of the initial contract term are subject to annual appropriations and spending authority in the federal budget. Contracts to convert tenant-based HUD vouchers or certificates into project-based assistance (as described below) are also subject to annual appropriation and spending authorization in the federal budget.

HAP Contract Term for State Agency Set-Aside Program

Under HUD regulations, the initial terms of the HAP Contracts for uninsured Developments financed under the state agency set-aside program were for either 30 or 40 years, with provisions for renewal for five-year periods within the 30- or 40-year term. The term of the initial ACC is the same as the initial HAP Contract term. Nonrenewal of the Section 8 HAP Contract under federal law and Minnesota state statutes requires proper notification to the residents, the applicable city, the Metropolitan Council Housing and Redevelopment Authority, the Agency and HUD. This nonrenewal (opt-out) of the HAP Contract is independent of the Development's existing first mortgage financing. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.") Although the Section 8 housing assistance payments are made to the owner and in effect represent rental income, the HAP Contract may, with HUD's consent, be assigned as security by the owner to the first mortgage lender for the Development. All of the Developments with HAP Contracts within the Agency's first mortgage loan portfolio are assigned to the Agency as security for the Mortgage Loan. HAP Contracts may not be terminated by HUD if the Mortgage Loan on the Development goes into default, so long as the owner has not breached any of the owner's obligations under the HAP Contract. In the event of a breach of the HAP Contract by the owner, HUD may abate subsidy payments or terminate the HAP Contract after giving the owner reasonable opportunity to comply with the requirements of the HAP Contract. Under HUD regulations, the HAP Contract may be assigned to a new owner of the Development. HUD may also determine that the HAP Contract may be terminated or may reassign the Section 8 housing assistance payments subsidy to another development. If the Section 8 subsidy is assigned to another development, the HAP Contract and the ACC will continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract. (See "Certain Information Regarding Housing Assistance Payment Contracts – Certain Recent Developments.")

Certain Information Regarding Housing Assistance Payment Contracts

General

The following discussion provides certain information with regard to the Section 8 program and HAP Contract requirements that may affect payments made by HUD pursuant to the HAP Contracts. That information is not comprehensive or definitive and, as appropriate, is qualified in its entirety by reference to the United States Housing Act of 1937, as amended (the "Housing Act"), and HUD Section 8 Program Guidebooks, Handbooks, Notices, and Memoranda.

Adjustments in Contract Rents

The HAP Contract defines the type of contract rent adjustment that the Development can request. For HAP Contracts in the Agency's Traditional Contract Administration portfolio that are in their original term, owners can request an Annual Adjustment Factor Rent Adjustment based on the annual adjustment factor published by HUD. Interim revisions may be made where market conditions warrant. The annual adjustment factor is applied on the anniversary date of each HAP Contract to contract rents, resulting in upward adjustment. Pursuant to federal legislation enacted in 1997, if the contract rents for a Development exceed the applicable HUD fair market rents, then contract rents may not be increased beyond comparable market rents (plus the initial differential between the initial contract rents and the comparable rents). The comparable rents are determined by independent appraisals of Developments in the form of a Rent Comparability Study submitted by the owner. In addition, special additional adjustments may be granted to reflect increases in the actual and necessary expenses of owning and maintaining a Development resulting from substantial "and general increase in real property taxes, assessments, utility rates and hazard insurance increases, where the increased cost is not sufficiently covered by the annual AAF adjustment." HUD Notice H 2002-10. Adjustments may not result in material differences between rents charged for assisted units and unassisted units of similar quality and age in the same market area, except to the extent of the initial difference at the time of contract execution. Under current law, "[t]he Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section, unless the project has been refinanced in a manner that reduces the periodic payments of the owner." 42 U.S.C. § 1437f(c)(1)(C). There can be no assurance that increases in contract rents will result in revenues sufficient to compensate for increased operating expenses of the Developments. There can be no assurance that there will not be a decrease in contract rents. A rent decrease may affect the ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Bond Resolution. (See "Certain Recent Developments.")

Limitations on Increases in Housing Assistance Payments

An increase in contract rents, because of the application of an annual adjustment factor or a special additional adjustment, will normally result in an increase in Housing Assistance Payments payable to the owner under the HAP Contract. The annual maximum housing assistance payments are initially limited to the initial contract rents. A project account is required to be established and maintained by HUD, in an amount determined by HUD, and the account must be established and maintained consistent with its responsibilities under the Housing Act. Whenever the estimated annual housing assistance payment exceeds the annual maximum housing assistance commitment and would cause the amount in the project account to be less than 40 percent of that maximum commitment, HUD is required to take additional steps authorized by Section 8(c)(6) of the Housing Act to assure that housing assistance payments will be increased on a timely basis. Section 8(c)(6) of the Housing Act authorizes “the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts.” Based on this guidance, HUD does not increase annual contributions contract authority until the project account has been exhausted.

Certain Recent Developments

In July 2002, HUD announced an interpretation of its Office of General Counsel with respect to the form of HAP Contract in use prior to 1979 (the “Old Regulation HAP Contract”). This interpretation provides that the HAP Contract terminates upon any prepayment of the original permanent financing of the related development, including any refinancing that included prepayment of the first Mortgage Loan. HUD also stated that it would agree to amend any HAP Contract to eliminate that termination. All of the first mortgage loans with this form of HAP Contract in the Agency’s TCA portfolio were provided by the Agency. There are many Developments with Agency mortgage loans that have been prepaid where HUD has continued to make payments under the HAP Contracts during the years since the Agency loans were prepaid. It is the Agency’s understanding that current HUD practice is to approve the continuation of HAP Contracts upon payment of the original financing when the owner has elected to remain in the Section 8 program. In 2015, HUD issued the final version of the Section 8 Renewal Policy Guide Book. Chapter 16 of the Guide Book reiterates the Office of General Counsel interpretation of the Old Regulation HAP Contract and gives prepaying owners the option to amend the HAP Contract to extend the term to the originally scheduled maturity date, renew the HAP contract under the Multifamily Assisted Housing Reform and Affordability Act (“MAHRA”), or opt out of the Section 8 program. Contracts that are subject to Chapter 16 will be renewed and amended as outlined in the newly revised chapter. At this time, the Agency cannot predict the potential risk for opt-outs under the provisions of Chapter 16; however, the Agency handles potential opt-outs proactively to support the Agency’s priority for preservation of federally assisted housing.

In recent years, there have been numerous pronouncements from HUD officials and various elected officials as to the future of HUD and the Section 8 program. The scope of these pronouncements has ranged from a total elimination of HUD and the Section 8 program to a restructuring of HUD and the reduction in funding of the Section 8 program. In addition, the consolidation and alignment of HUD’s programs and the transfer of certain administrative responsibilities for HUD programs to contract administrators, state and local governments and other entities continue to be proposed. (Note that HUD has contracted project-based Section 8 program administration services to state and local governments and other entities since 1999.) Furthermore, Congress continues to propose reductions in all federal spending, including funding for HUD and its programs.

HUD officials have from time to time proposed to Congress that it repeal the provision of the Housing Act prohibiting the Secretary of HUD from reducing contract rents below the current contract rents in effect as of April 15, 1987. (See “Adjustments in Contract Rents.”) It is not clear whether such a repeal would withstand a constitutional challenge. The effect of repealing those provisions would be to permit HUD to reduce the contract rents for Section 8 Developments to “market rents,” but not lower than the initial contract rents, plus the initial difference, approved by HUD for the Development. Reductions in current contract rents have occurred and continue to occur due to HUD’s changes to its Section 8 Renewal Policy Guide Book and its 4350.1 Handbook (Chapter 7).

At this time, the Agency cannot predict the terms of the legislation, if any, that may be enacted with respect to HUD. Legislation could significantly change HUD’s structure, its administration and its programs (including the Section 8 program), and the funding of HUD and its programs. The Agency also cannot predict whether any legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds (including the Series Bonds) with amounts pledged under the Resolutions.

Over the years, there have been several court decisions with respect to the Section 8 program and HAP Contracts. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group*, held that HAP Contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAP Contracts (which states, in effect, that notwithstanding any other provision of the HAP Contract, adjustments provided for in that section of the HAP Contract must not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units that are greater than the initial difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAP Contracts permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the “initial difference” referred to in the HAP Contract is determined by the initial dollar amount and not by a percentage of the initial rents. Based on guidance in HUD’s Section 8 Renewal Policy Guidebook, issued in 2000, as amended, HAP Contracts that are renewed under MAHRA may have their contract rents reduced to “market rents.” This Guidebook also provides the opportunity for debt restructuring by HUD’s Office of Affordable Housing Preservation in conjunction with the reduction in contract rents if a property is eligible.

At this time, the Agency is unable to predict what additional actions, if any, HUD or Congress will take in the future with respect to rent adjustments. Future policy changes for rent adjustments may be impacted by federal budget constraints. Beginning in federal fiscal year 2012, HUD implemented three primary cost cutting measures that affect all New Regulation (i.e., post-1979) HAP Contracts. These cost cutting measures, which have been continued for federal fiscal year 2015, include using residual receipts in lieu of rent increases, using residual receipts in lieu of subsidy payments, using the lesser of budget-based or Operating Cost Adjustment Factor (“OCAF”) rent adjustments, offering automatic OCAF rent adjustments that are limited to market rents including option 4 multi-year annual renewals, and short funding HAP Contracts. Old Regulation HAP Contracts that have not initially renewed under MAHRA have not been affected by the cost cutting measure of using residual receipts in lieu of subsidy payments. As noted above under “Adjustments in Contract Rents,” Congress has passed legislation and HUD has implemented procedures to restrict Annual Adjustment Factor rent increases above fair market rents for the 1997 and subsequent federal fiscal years for contracts that are in their original 20-, 30- or 40-year term. Upon initial renewal of the HAP Contract, the Development generally is not eligible for Annual Adjustment Factor rent adjustments under MAHRA, but is eligible for budget based, Operating Cost Adjustment Factor, mark-up-to-market, and mark-to-market (mark down to market) rent adjustments. HUD’s Section 8 Renewal Policy Guide Book, as amended, and its Handbook 4350.1, Chapter 7 do not allow for the use of initial differences, Financing Adjustments, or Financing Adjustment Factors when determining these rent adjustments; they are excluded from rent adjustment calculations. Also, HUD has proposed additional changes to the Section 8 HAP Contracts that include provisions around combining HAP Contracts and risk-based monitoring. Currently, guidance for combining HAP Contracts has been issued through a HUD memorandum. The Agency has not seen this tool leveraged by owners; however, the potential does exist. This measure would reduce the number of on-site inspections and the number of financial statements that owners must submit, as well as allow properties to share income and operating expenses. The 2014 cost cutting measures remain in effect. Actions by HUD that limit options for contract renewals and restrict the definition of market rents in many cases result in a decrease in contract rents, which could negatively impact the ability of owners to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds from the amounts pledged under the Bond Resolution.

Project-Based Vouchers

Recently, the Agency has been working with local housing and redevelopment authorities and public housing authorities to provide for project-based Section 8 Housing Choice Vouchers for a portion of the units in a Development financed under the LMIR Program. Under this program, approximately 20 percent of the units in a Development receive year-to-year project-based Housing Choice Vouchers with the rents set at the Section 8 Existing Housing Fair Market Rent (“FMR”) or payment standard. The Agency has found that the HUD-published FMR or payment standard is typically less than the market rent that could be charged without the subsidy; therefore, staff considers there to be minimal risk in the event of nonrenewal of the year-to-year ACC.

Section 8 Contract Administration

In 2000, the Agency was awarded an Annual Contributions Contract (“ACC”) with HUD as a Performance-Based Contract Administrator (“PBCA”) for the contract administration of a portion of HUD’s project-based Section 8 portfolio. Under the ACC, HUD partners with qualified entities for the administration of Section 8 HAP Contracts made directly between HUD and owners of the affected developments. In 2011, HUD held a national competitive rebid to qualified entities for the work performed under the ACC. The Agency was one of 11 states that had only one bid and were awarded a contract uncontested. As a result, the Agency was awarded a new two-year PBCA contract for the State of Minnesota, which was originally set to expire on September 30, 2013. The Agency has been granted extensions of its ACC since September 30, 2013. The most recent extension is in effect through July 31, 2024. The 2011 national rebid process resulted in a number of bid protests. As a result of those protests and the resultant litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the PBCA ACCs should be awarded through the federal procurement process rather than the Notice of Funding Availability and cooperative agreements that HUD used in making its 2011 contract awards. The Supreme Court declined to review the ruling.

HUD issued two draft Request for Funding Proposals (“RFPs”) that encapsulated the work conducted under the PBCA program in late 2017. The draft RFPs contemplated significant program changes, including dividing the work between a national contract and multiple regional contractors. In March of 2018, HUD cancelled the RFPs in light of the extensive comments that were submitted regarding the drafts. The cancellation notices indicate that HUD plans to undertake additional due diligence and expects to issue new RFPs at some point in the future. It is unclear when HUD may issue any more RFPs related to the work conducted under the PBCA program. Depending on the form and content of any RFPs, there may be bid protests and litigation with respect to the RFPs and any new awards of the PBCA contracts that result from the RFPs. The Agency intends to seek to retain the PBCA work in the State of Minnesota. There is, however, significant uncertainty in this area as it is unknown when HUD will release any subsequent RFPs, what the terms of those RFPs will be, and what impact any bid protests or litigation may have on the process. HUD reserved the right to terminate the ACC with 120 days’ notice if HUD completes or anticipates completing the RFP solicitation process before the end of the extension term.

Market Rate Mortgage Loan Program

In its Market Rate Mortgage Loan Program, which is administered by the Multifamily Division of the Agency, the Agency issues Bonds under the Bond Resolution to provide permanent and construction loan financing for the acquisition/rehabilitation or construction of multifamily housing Developments. The proceeds of the Bonds are lent by the Agency to nonprofit or limited profit sponsors that agree to construct the Developments and lease the dwelling units therein principally to persons and families of low and moderate income. The Agency is not presently making any new Mortgage Loans pursuant to this Program.

Monitoring of Developments

In an attempt to minimize the risk inherent in long-term Mortgage Loans, the Agency has established the following guidelines for the monitoring of Developments:

- The Agency’s Accounting Division is responsible for monthly billing of principal and interest and escrows, and for paying insurance, property taxes and other expenses in a timely manner.
- The Agency’s Multifamily Asset Management Section is responsible for the supervision of all Developments, beginning with the feasibility processing. Prior to loan closing the Asset Management Section works with the sponsors and their marketing and management agents to review marketing and management plans. The management plan of a Development includes information on the management agent’s proposed method of operating the Development. That information relates to the organizational structure and on-site duties and staffing of the management agent, initial and on-going marketing plans, contents of an orientation handbook for residents and requirements for reporting operating expenses, budget and energy conservation information. Upon completion of construction or rehabilitation, the Asset Management Section begins to monitor the implementation of the management plan, rent up and ongoing occupancy and reviews periodic submissions of income and expense data.

The Asset Management Section generally monitors the operations of Developments on an ongoing basis in generally the following ways:

- *On-Site Inspections.* After initial marketing has been completed, on-site inspections are periodically made to check on management performance. Reports summarizing findings of inspections are submitted to the owner and management agent along with a timetable for correcting deficiencies, if necessary.
- *Reporting Requirements.* Management agents for each Development are required to submit regular accounting and occupancy reports to the Agency's Asset Management Section. Smaller, non-subsidized Developments have proven to be erratic in meeting the Agency's reporting requirements. The reports are reviewed by the Housing Management Officer assigned to each Development in order to identify significant deviations from the operating budget or change in occupancy.

The Agency generally receives the following financial information related to each Development:

- (i) Monthly Operating Report—due the 15th day of the following month;
- (ii) Analysis of Accounts Payable and Receivable—due the 15th day of the month following the end of each quarter;
- (iii) Analysis of Reserve Accounts—prepared monthly by Asset Management staff;
- (iv) Annual Budget—due 60 days prior to the beginning of the fiscal year to which the budget relates; and
- (v) Annual Audited Financial Statements—due not more than 90 days (60 days for HUD Risk Share) following the end of each fiscal year.

For seasoned, well-maintained, financially sound Developments, the Agency may only require annual operating reports in the future.

- *Training Sessions.* The Agency provides technical assistance when needed for new management agents and the on-site resident manager to acquaint them with Agency and HUD procedures and requirements. Technical assistance is provided, as needed, throughout the life of the Mortgage Loan.

Applicable Federal Law Requirements

Applicable federal tax law imposes significant limitations on the financing of Mortgage Loans for Developments with the proceeds of qualified residential rental property bonds, such as the Series Bonds. (See “Tax Exemption and Related Considerations.”)

OTHER PROGRAMS

In addition to the Program funded from the proceeds of the Bonds, the Agency finances other housing programs that provide loans for the purchase or improvement of single family housing and the acquisition, construction or rehabilitation of multifamily rental housing in the State of Minnesota. The assets devoted to these programs are briefly described in the notes to the Financial Statements in Appendix B-1.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Series Bonds – Federal Tax Matters

General. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series Bond for any period during which such Series Bond is held by a “substantial user” of the facilities financed by the Series Bonds or a “related person” within the meaning of Section 147(a) of the Code, and interest on the Series Bonds is not a specific preference item for purposes of the federal alternative minimum tax

imposed on individuals. Interest on the Series Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series Bonds. Failure to comply with such requirements could cause interest on the Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series Bonds. The Issuer and the Borrower have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series Bonds.

The accrual or receipt of interest on the Series Bonds may otherwise affect the federal income tax liability of the owners of the Series Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix F.

State Tax Matters

In addition, in the opinion of Bond Counsel, interest on the Series Bonds is not includable in the taxable net income of individuals, trusts and estates for Minnesota income tax purposes. Interest on the Series Bonds is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. Interest on the Series Bonds is not includable in the Minnesota alternative minimum taxable income of individuals, estates and trusts.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding, or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

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

PROSPECTIVE PURCHASERS OF THE SERIES BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES BONDS.

LITIGATION

There is not now pending or, to the best knowledge of the officers of the Agency, overtly threatened any litigation against the Agency seeking to restrain or enjoin the sale, issuance, execution or delivery of the Series Bonds or in any manner questioning or affecting the validity of the Series Bonds or the proceedings or authority pursuant to which they are to be issued and sold.

The Agency is a party to various litigation arising in the ordinary course of business. While the ultimate effect of those actions cannot be predicted with certainty, the Agency expects that the outcome of these matters will not result in a material adverse effect on the financial position or results of operations of the Agency.

LEGAL MATTERS

The validity of the Series Bonds and the tax exemption of interest thereon are subject to the legal opinion of Kutak Rock LLP, Bond Counsel. A copy of the opinion of said firm, substantially in the form set forth in Appendix F hereto, will be available at the time of delivery of the Series Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Dorsey & Whitney LLP.

FINANCIAL ADVISOR

CSG Advisors Incorporated (the “Financial Advisor”) is serving as financial advisor to the Agency with respect to the planning, structuring and sale of the Series Bonds. The Financial Advisor does not underwrite or trade bonds and will not engage in any underwriting activities with regard to the issuance and sale of the Series Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification, or to assume responsibility for the accuracy, completeness or fairness, of the information contained in this Official Statement and is not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

The Series Bonds are rated “___” by Moody’s Investors Service, Inc., and “___” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC. The ratings reflect only the views of the applicable rating agency, and an explanation of the significance of that rating may be obtained only from the rating agency and its published materials. The ratings described above are not a recommendation to buy, sell or hold the Series Bonds. The Agency cannot give any assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Therefore, after the date of this Official Statement, investors should not assume that the ratings are still in effect. A downward revision or withdrawal of either rating is likely to have an adverse effect on the market price and marketability of the Series Bonds. The Agency has not assumed any responsibility either to notify the owners of the Series Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see Appendix C to this Official Statement), or to contest any revision or withdrawal.

TRUSTEE

Computershare Trust Company, National Association (the “Trustee”), a national banking association, serves as successor Trustee under the Bond Resolution to Wells Fargo Bank, National Association (“WFBNA”). The Trustee also serves as bond trustee for other outstanding bonds of the Agency. As part of the sale of WFBNA’s corporate trust services to the Trustee, virtually all corporate trust services employees of WFBNA along with most existing corporate trust services systems, technology and offices, transferred to the Trustee, together with all duties, obligations and rights of WFBNA under the Bond Resolution.

Pursuant to the Bond Resolution, any successor Trustee, including a successor by sale or transfer of the corporate trust business, must be a bank or trust company or national banking association having trust powers and combined capital and surplus aggregating at least \$75,000,000.

UNDERWRITING

RBC Capital Markets, LLC (the “Underwriter”) will purchase the Series Bonds. The Underwriter is to be paid a fee of \$_____ with respect to its purchase of the Series Bonds. The Underwriter may offer and sell the Series Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the inside front cover hereof.

The Underwriter is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter may have, from time to time, performed and may in the future perform, various investment banking services for the Agency, for which it may have received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in those securities and instruments. Those investment and securities activities may involve securities and instruments of the Agency.

The Underwriter is a subsidiary of Royal Bank of Canada.

MISCELLANEOUS

This Official Statement is submitted in connection with the offering of the Series Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. Any statement 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. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Series Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

_____, 2023. By _____
Commissioner

APPENDIX A

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS
PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS, AND MORTGAGE LOANS AND
DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY
UNDER THE RENTAL HOUSING BOND RESOLUTION,
INCLUDING THOSE INTENDED TO BE FINANCED
WITH PROCEEDS OF THE SERIES BONDS**

**DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION**

AS OF DECEMBER 31, 2023

MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY RENTAL HOUSING BONDS

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
BOSSON PARK APTS	Minneapolis	6.680 %	\$ 1,092,310	\$ -	\$ 115,464	02/01/30	LMIR/HRS	N/A	0	110
BREWERY CREEK	Duluth	4.300	10,640,000	8,029,867	-	01/01/25	BRIDGE	(3)	32	52
CALVARY CENTER APARTMENTS	Golden Valley	3.650	7,940,000	4,418,128	-	01/01/25	LMIR /BRIDGE	5/31/2029	80	80
CAMBRIDGE APARTMENTS	Cambridge	4.450	9,665,000	1,961,591	-	01/01/25	LMIR /BRIDGE	(3)	14	65
CONCORDIA ARMS	Maplewood	5.750	3,294,191	-	882,376	07/01/49	LMIR/HRS/HAP	12/31/32	125	125
GENEVA VILLAGE	Oakdale	7.210	1,295,469	-	763,906	01/01/28	LMIR	N/A	0	175
HILLSIDE TERRACE	Long Lake	6.720	1,149,234	-	358,308	08/01/34	LMIR/HRS	01/15/31	44	44
HORIZON HEIGHTS	Burnsville	4.150	5,150,000	-	-	01/01/25	LMIR /BRIDGE	05/31/29	25	25
JACKSON PLACE	Elk River	5.630	744,400	-	87,113	04/01/38	LMIR	N/A	0	32
LARSON COMMONS	Cloquet	6.520	1,814,999	-	1,023,709	06/01/37	HAP/HRS	03/31/40	85	85
MARSHALL SQUARE APTS	Marshall	6.450	1,035,989	-	17,544	02/01/36	LMIR/HRS/HAP	08/24/25	90	90
PHALEN VILLAGE	St Paul	3.875	5,720,000	2,809,370	-	07/01/25	LMIR /BRIDGE	(3)	21	76
RIVERTOWN COMMONS	Stillwater	6.150	2,442,016	-	216,968	03/01/38	LMIR/HRS	04/30/40	96	96
SPRING CREEK II	Northfield	3.300	7,190,000	-	-	07/01/24	LMIR/BRIDGE	(3)	24	32
THE CROSSROADS fka SOUTH PARK MANOR	Dodge Center	0.000	155,701	-	120,290	04/30/24	HAP/AMP	10/31/37	37	37
THE LUMIN AT HIGHLAND BRIDGE	St Paul	4.800	10,495,000	-	-	07/01/24	LMIR /BRIDGE	(3)	60	60
THE SQUARE ON 31ST fka ROCHESTER SQUARE	Rochester	5.750	1,719,804	-	350,811	07/01/44	LMIR/HRS/HAP	02/17/34	95	104
WHITTIER COOP	Minneapolis	0.000	892,400	-	-	07/09/44	HAP/AMP	09/14/30	45	45
WOTW THEODORE	Minneapolis	3.850	8,200,000	-	-	07/01/24	LMIR/BRIDGE	(3)	6	100
YORKDALE	Edina	5.000	3,567,661	-	350,988	06/01/48	HAP/HRS	06/30/39	90	90
Subtotal			<u>\$ 84,204,174</u>	<u>\$ 17,218,956</u>	<u>\$ 4,287,479</u>				<u>969</u>	<u>1523</u>
			\$ 1,092,310	10,640,000						

DESCRIPTION OF OUTSTANDING MORTGAGE LOANS AND DEVELOPMENTS PREVIOUSLY FINANCED BY
RENTAL HOUSING BONDS AND PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

AS OF DECEMBER 31, 2023

MORTGAGE LOANS AND DEVELOPMENTS PLEDGED AS ADDITIONAL SECURITY UNDER THE RENTAL HOUSING BOND RESOLUTION

<u>Development Name</u>	<u>Location</u>	<u>Mortgage Loan Interest Rate</u>	<u>Outstanding Mortgage Loan Balance (1)</u>	<u>Undisbursed Mortgage Amount</u>	<u>Development Reserves (2)</u>	<u>Mortgage Note Maturity</u>	<u>Program Type</u>	<u>Subsidy Expiration</u>	<u>No. of Subsidized Units</u>	<u>Total No. of Units</u>
ALBERTVILLE TOWNHOMES	Albertville	5.73 %	\$ 823,730	\$ -	\$ 41,525	09/01/39	LMIR	N/A	0	37
ANDREWS POINT	Burnsville	5.00	1,711,372	-	113,787	05/01/42	LMIR/HRS	N/A	0	57
BOTTINEAU RIDGE APTS	Maple Grove	4.75	1,176,504	-	294,718	03/01/45	LMIR/HRS	N/A	0	50
BOULDER RIDGE TOWNSHOMES	Shakopee	3.94	2,186,862	-	54,836	09/01/54	LMIR/HRS	N/A	0	30
BROWNSTONE	St. Paul	3.25	1,371,973	-	92,283	08/01/56	LMIR/HRS	N/A	0	35
BUFFALO COURT	Buffalo	5.49	1,089,392	-	79,346	07/01/35	LMIR/HRS	07/31/43	48	48
CAPITOL CITY	St. Paul	5.15	853,066	-	151,858	11/01/37	LMIR	N/A	0	69
CASCADE APTS	Fergus Falls	0.00	80,794	-	-	08/01/29	HAP/AMP	05/31/38	36	36
CATHEDRAL HILL HOMES	St. Paul	5.25	1,820,760	-	513,337	12/01/46	LMIR/HRS	05/31/35	60	60
CEDARDALE PLACE	Owatonna	4.49	4,705,972	-	271,650	06/01/54	LMIR/HRS	11/30/38	98	98
CENTRAL TOWERS	Rochester	5.00	3,742,331	-	743,264	08/01/43	LMIR/HRS	12/31/31	105	105
CHARTER OAKS TH	Stillwater	5.00	2,798,284	-	265,633	04/01/43	LMIR/HRS	12/31/27	60	60
CHERRY RIDGE APARTMENTS	Mankato	3.50	3,019,715	-	597,714	04/01/57	LMIR/HRS	N/A	0	83
CITY FLATS	Shakopee	5.86	330,026	-	148,572	06/01/37	LMIR	N/A	0	27
CITY PLACE LOFTS	Minneapolis	4.75	2,720,013	-	23,233	10/01/44	LMIR/HRS	N/A	0	55
COACHMAN RIDGE APARTMENTS	Elk River	5.25	1,223,354	-	225,800	06/01/46	LMIR/HRS	N/A	0	53
COMPASS POINTE TH	New Hope	5.25	2,268,195	-	92,632	02/01/46	LMIR/HRS	N/A	0	68
CORNERSTONE VILLAGE	St. Michael	5.63	1,627,989	-	77,712	10/01/28	LMIR	N/A	0	42
CRYSTAL LAKE TH	Grand Rapids	5.50	1,294,399	-	321,691	11/01/41	LMIR/HRS	08/31/28	48	48
EVERGREEN APTS	Hutchinson	5.50	1,834,760	-	240,922	12/01/41	LMIR/HRS	12/27/31	62	62
FIRST AVENUE FLATS	Rochester	4.50	4,584,567	-	122,566	10/01/34	LMIR	N/A	0	68
HIGHLAND APTS	Willmar	5.25	1,592,866	-	369,765	04/01/46	LMIR/HRS	05/31/39	79	79
HOFFMAN PLACE	White Bear Lake	5.50	1,720,256	-	300,191	10/01/27	LMIR	N/A	0	59
JEFFERSON SQUARE	Northfield	5.75	1,227,080	-	157,613	10/01/41	LMIR/HRS	12/31/30	50	50
LAKES RUN APTS	New Brighton	5.74	1,016,986	-	13,695	11/01/36	LMIR	N/A	0	52
LAKEVILLE COURT	Lakeville	5.00	2,432,245	-	14,698	08/01/42	LMIR/HRS	N/A	0	52
LIBERTY PLAZA	St. Paul	6.50	2,990,516	-	1,048,594	02/01/34	LMIR/HRS	09/30/24	78	173
MANY RIVERS	Minneapolis	3.94	2,241,597	-	158,850	10/01/54	LMIR/HRS	08/04/28	7	53
MAPLE RIDGE TH	Maple Grove	5.74	1,100,384	-	266,398	01/01/38	LMIR	N/A	0	45
MEADOWS WEST	Austin	5.00	1,881,982	-	214,720	10/01/43	LMIR/HRS	12/31/31	60	60
MINNESOTA VISTAS	St Paul	3.43	3,013,431	-	91,038	09/01/55	LMIR	N/A	0	60
NORTHGATE WOODS	Blaine	5.50	2,692,210	-	329,524	10/01/52	HAP/HRS	06/30/40	75	75
PARK MANOR ESTATES	Detroit Lakes	4.75	3,569,088	-	440,297	05/01/44	HAP/HRS	09/30/39	97	97
PARK PLAZA	Minneapolis	5.00	1,434,574	-	91,595	09/01/33	LMIR/HRS	N/A	0	134
PARKVIEW VILLA	Columbia Heights	5.25	1,971,374	-	459,940	04/01/47	LMIR/HRS	N/A	0	142
PINE RIDGE APTS	Grand Rapids	5.25	2,304,357	-	297,161	07/01/46	HAP/HRS	02/28/38	60	100
RED PINE ESTATES	Bemidji	6.49	1,172,951	-	669,957	03/01/37	LMIR	12/29/30	86	86
RIVERSIDE TERRACE	Thief River Falls	4.75	2,027,006	-	381,832	07/01/43	LMIR/HRS	05/01/30	66	66
RUSSELL ARMS/BENTON HEIGHTS	Sauk Rapids	5.15	2,175,715	-	283,463	09/01/37	HAP/HRS	05/31/42	71	91
SABATHANI SENIOR HOUSING	Minneapolis	4.25	3,214,028	-	84,443	01/01/63	LMIR/HRS	06/30/24	4	48
SLATER SQUARE	Minneapolis	5.00	474,218	-	75,915	11/01/36	MR	N/A	0	163
SLATER SQUARE	Minneapolis	5.00	754,305	-	See above	11/01/36	MR	See above	See above	See above
ST. LUCAS RIVERSIDE APARTMENTS	Faribault	3.50	1,771,843	-	223,145	12/01/56	HRS/AMP	09/30/41	30	30
SUNWOOD VILLAGE	Ramsey	5.25	1,222,081	-	97,988	03/01/47	LMIR/HRS	N/A	0	47
THE RIDGE APTS	Minnetonka	4.75	2,258,786	-	1,186,450	12/01/44	LMIR/HRS	N/A	0	64
THE WILLOWS	Shakopee	5.10	3,352,254	-	91,062	10/01/61	LMIR/HRS	06/30/24	13	60
TOWER TERRACE TOWNHOMES	Cambridge	3.49	1,546,699	-	205,198	05/01/55	LMIR/HRS	N/A	0	32
VICKSBURG COMMONS	Plymouth	6.40	752,692	-	74,175	03/01/38	LMIR	N/A	0	50
VILLAGE COMMONS	Savage	5.00	1,700,216	-	79,942	11/01/43	LMIR/HRS	N/A	0	66
VILLAGE ON THIRD	Rochester	6.14	1,359,922	-	112,657	05/01/25	LMIR	N/A	0	66
WASHINGTON CROSSING	Winona	5.75	1,109,914	-	9,886	01/01/36	LMIR/HRS	N/A	0	62
WEST BIRCH TOWNHOMES	Princeton	5.00	1,582,136	-	44,278	08/01/56	LMIR/HRS	N/A	0	40
WEST VIEW ESTATES	Plymouth	5.00	2,974,848	-	322,037	09/01/42	LMIR	N/A	0	67
WHITE OAK ESTATES	Baxter	5.10	1,658,300	-	44,040	07/01/61	LMIR/HRS	06/30/24	20	40
WILLOW RIDGE	St. Paul	6.39	1,077,836	-	59,780	04/01/38	LMIR	N/A	0	47
Subtotal			\$ 104,638,754	\$ -	\$ 12,773,406				1,313	3,547
			\$ 84,204,174	\$ 17,218,956	\$ 4,287,479				969	1,523
Total			\$ 188,842,927	\$ 17,218,956	\$ 17,060,885				2,282	5070

Footnotes and Program Type legend appear on the last page of this Appendix A.

DESCRIPTION OF MORTGAGE LOANS INTENDED TO BE FINANCED WITH PROCEEDS FROM RENTAL HOUSING BONDS 2024 SERIES A-1 and A-2									
Development Name	Location	Estimated Mortgage Loan Rate	Estimated Mortgage Loan Amount	Estimated Development Reserves	Mortgage Note Maturity	Program Type	Subsidy Expiration	No. of Subsidized Units	Total No. of Units
Walnut Towers	Kasson	%	\$5,530,000		___/1/2066	LMIR	[7/31/24]	86	87
		%	\$4,060,000		___/1/2026	LMIR/ Bridge Loan			

Notes:

- (1) All loans can be prepaid subject to Agency approval.
- (2) Amounts listed under the heading "reserves" are pledged by the project owner under the project regulatory agreement. The reserve can be applied for project purposes under the regulatory agreement, and are paid to the owner when the mortgage loan is paid or prepaid in full. The reserves are not pledged as security under the Bond Resolution. The real estate tax and insurance reserves are excluded.
- (3) Subsidy expiration date will not be determined until development is placed in service.

***Program Type Legend**

- AMP = Asset Management Program
HAP = Section 8 Housing Assistance Payment Program (Uninsured Developments)
HRS = FHA Risk Share Insurance
LMIR = Low And Moderate Income Rental Program
MR = Market Rate Loan Program

APPENDIX B-1

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX B-2

**FINANCIAL STATEMENTS OF CERTAIN FUNDS OF THE AGENCY
(EXCLUDING STATE APPROPRIATED AND FEDERAL APPROPRIATED FUNDS)
AS OF DECEMBER 31, 2023
AND FOR THE SIX MONTHS THEN ENDED (UNAUDITED)**

DISCLAIMER

The following information with respect to the General Reserve, Homeownership Finance, Multifamily Housing, Rental Housing, Residential Housing Finance ("RHFB") excluding Pool 3, and RHFB Pool 3 (the "Funds") as of December 31, 2023 and for the six-month period then ended was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of these Funds as of December 31, 2023 and for the six-month period then ended, subject to year-end adjustments.

State and federal appropriated funds are excluded from this presentation because assets and revenues of these funds are not pledged or available to support bonds or other obligations of the Agency or its general obligation pledge in respect thereof.

Financial results for RHFB Pool 3 are reported separately from other Funds' results because the Agency has made no commitment to retain any net position balance in that fund. This fund is not pledged to the payment of any debt obligations of the Agency but, to the extent net position are available in this fund, they are generally available to pay any debt obligation of the Agency.

This presentation excludes management's discussion and analysis which is required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. The information in this Appendix B-2 should be read in connection with the audited financial statements included in Appendix B, including the notes to those financial statements.



General Reserve & Bond Funds

Statement of Net Position

as of

December 31, 2023

(unaudited)

(with comparative totals as of December 31, 2022)

(in thousands)

Bond Funds

Residential Housing Finance

	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	Fiscal 2024 General Reserve and Bond Funds as of December 31, 2023	Fiscal 2023 General Reserve and Bond Funds as of December 31, 2022
Assets											
Cash and cash equivalents	\$ 88,032	\$ 37,807	\$ 328,385	\$ 21,298	\$ 34,244	\$ 2,032	\$ -	\$ 511,798	\$ 3,605	\$ 515,403	\$ 442,686
Investments-program mortgage-backed securities	-	-	2,960,358	-	914,768	-	-	3,875,126	-	3,875,126	2,953,899
Investment securities-other	12,815	18,249	3,038	39,446	3,977	-	4,048	81,573	8,264	89,837	171,002
Loans receivable, net	-	185,638	197,294	491,507	-	12,775	-	887,214	133,808	1,021,022	949,819
Interest receivable on loans and program mortgage-backed securites	-	750	12,616	1,819	3,004	47	-	18,236	43	18,279	13,252
Interest receivable on investments	378	205	1,518	350	163	9	12	2,635	86	2,721	2,078
Interest rate swap agreements	-	-	34,876	-	-	-	-	34,876	-	34,876	37,609
FHA/VA insurance claims, net	-	-	136	-	-	-	-	136	-	136	397
Real estate owned, net	-	-	374	179	-	-	-	553	-	553	687
Capital assets, net	5,786	-	-	2,069	-	-	-	7,855	-	7,855	7,134
Other assets	2,138	4	49	835	18	-	-	3,044	3	3,047	4,519
Total assets	109,149	242,653	3,538,644	557,503	956,174	14,863	4,060	5,423,046	145,809	5,568,855	4,583,082
Deferred Outflows of Resources											
Deferred loss on refunding	-	-	-	-	-	-	-	-	-	-	1
Deferred loss on interest rate swap agreements	-	-	4,625	-	-	-	-	4,625	-	4,625	-
Deferred pension expense	10,792	-	-	-	-	-	-	10,792	-	10,792	12,397
Total deferred outflows of resources	10,792	-	4,625	-	-	-	-	15,417	-	15,417	12,398
Total assets and deferred outflows of resources	\$ 119,941	\$ 242,653	\$ 3,543,269	\$ 557,503	\$ 956,174	\$ 14,863	\$ 4,060	\$ 5,438,463	\$ 145,809	\$ 5,584,272	\$ 4,595,480
Liabilities											
Bonds payable, net	\$ -	\$ 77,850	\$ 3,460,519	\$ 30,384	\$ 981,235	\$ 12,400	\$ 4,423	\$ 4,566,811	\$ -	\$ 4,566,811	\$ 3,667,852
Interest payable	-	1,010	54,511	69	2,203	31	12	57,836	-	57,836	34,342
Interest rate swap agreements	-	-	4,625	-	-	-	-	4,625	-	4,625	-
Net pension liability	13,428	-	-	-	-	-	-	13,428	-	13,428	2,423
Accounts payable and other liabilities	8,581	17,243	774	58,817	46	-	-	85,461	1	85,462	92,980
Interfund payable (receivable)	3,196	(17,551)	(56,684)	87,678	(5,009)	-	-	11,630	(16,018)	(4,388)	(3,772)
Funds held for others	75,327	-	-	-	-	-	(375)	74,952	-	74,952	70,900
Lease Liability	5,604	-	-	-	-	-	-	5,604	-	5,604	6,903
Subscription Liability	-	-	-	2,071	-	-	-	2,071	-	2,071	-
Total liabilities	106,136	78,552	3,463,745	179,019	978,475	12,431	4,060	4,822,418	(16,017)	4,806,401	3,871,628
Deferred Inflows of Resources											
Deferred gain on interest rate swap agreementsss	-	-	34,876	-	-	-	-	34,876	-	34,876	37,609
Deferred revenue-service release fees	-	-	12,875	1,942	4,797	-	-	19,614	-	19,614	19,416
Deferred pension credit	4,634	-	-	-	-	-	-	4,634	-	4,634	22,813
Total deferred inflows of resources	4,634	-	47,751	1,942	4,797	-	-	59,124	-	59,124	79,838
Total liabilities and deferred inflows of resources	110,770	78,552	3,511,496	180,961	983,272	12,431	4,060	4,881,542	(16,017)	4,865,525	3,951,466
Commitments and Contingencies											
Net Position											
Restricted by bond resolution	-	164,404	290,101	-	17,937	2,432	-	474,874	-	474,874	80,842
Restricted by covenant	8,989	-	-	376,542	-	-	-	385,531	161,826	547,357	562,941
Unrestricted by bond resolution	-	(303)	(258,328)	-	(45,035)	-	-	(303,666)	-	(303,666)	-
Invested in capital assets	182	-	-	-	-	-	-	182	-	182	231
Total net position	9,171	164,101	31,773	376,542	(27,098)	2,432	-	556,921	161,826	718,747	644,014
Total liabilities, deferred inflows, and net position	\$ 119,941	\$ 242,653	\$ 3,543,269	\$ 557,503	\$ 956,174	\$ 14,863	\$ 4,060	\$ 5,438,463	\$ 145,809	\$ 5,584,272	\$ 4,595,480



General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position
for the six months ended
December 31, 2023
(unaudited)
(with comparative totals for the six months ended December 31, 2022)
(in thousands)

	Bond Funds									Fiscal 2024 General Reserve and Bond Funds	Fiscal 2023 General Reserve and Bond Funds
	Residential Housing Finance									Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3		
Revenues											
Interest earned on loans	\$ -	\$ 4,579	\$ 4,543	\$ 10,575	\$ -	\$ 281	\$ -	\$ 19,978	\$ 94	\$ 20,072	\$ 18,402
Interest earned on investments-program mortgage-backed securities	-	-	56,167	-	17,435	-	-	73,602	-	73,602	49,186
Interest earned on investments-other	588	1,035	6,900	3,313	977	51	73	12,937	395	13,332	9,927
Net G/L on Sale of MBS Held for Sale/HM	-	-	-	(137)	-	-	-	(137)	-	(137)	1,251
Administrative reimbursement	24,276	-	-	-	-	-	-	24,276	-	24,276	19,285
Fees earned and other income	8,205	33	1,587	1,098	729	-	-	11,652	14	11,666	10,583
Unrealized (losses)gains on investments	-	270	31,475	(1,422)	11,117	-	-	41,440	5	41,445	(142,245)
Total revenues	33,069	5,917	100,672	13,427	30,258	332	73	183,748	508	184,256	(33,611)
Expenses											
Interest	157	1,172	48,739	3,483	13,479	187	73	67,290	-	67,290	40,847
Financing, net	-	1	6,416	7	-	-	-	6,424	-	6,424	(363)
Loan administration and trustee fees	-	51	915	724	194	2	-	1,886	4	1,890	1,668
Administrative reimbursement	-	749	8,864	1,835	3,273	45	-	14,766	866	15,632	13,341
Salaries and benefits	19,544	-	-	-	-	-	-	19,544	-	19,544	17,070
Other general operating	6,153	7	77	628	29	-	-	6,894	617	7,511	6,881
Reduction in carrying value of certain low interest rate deferred loans	-	(40)	38	(142)	-	-	-	(144)	4,788	4,644	(83)
Provision for loan losses	-	522	322	1,520	-	(1)	-	2,363	171	2,534	2,596
Total expenses	25,854	2,462	65,371	8,055	16,975	233	73	119,023	6,446	125,469	81,957
Revenues over (under) expenses	7,215	3,455	35,301	5,372	13,283	99	-	64,725	(5,938)	58,787	(115,568)
Other changes											
Non-operating transfer of assets between funds	(7,534)	85	18,556	(11,107)	-	-	-	-	-	-	849
Change in net position	(319)	3,540	53,857	(5,735)	13,283	99	-	64,725	(5,938)	58,787	(114,719)
Net Position											
Total net position, beginning of period	9,490	160,561	(22,084)	382,277	(40,381)	2,333	-	492,196	167,764	659,960	758,733
Total net position, end of period	\$ 9,171	\$ 164,101	\$ 31,773	\$ 376,542	\$ (27,098)	\$ 2,432	\$ -	\$ 556,921	\$ 161,826	\$ 718,747	\$ 644,014

General Reserve & Bond Funds
Statement of Cash Flows
for the six months ended
December 31, 2023
(unaudited)
(with comparative totals for the six months ended December 31, 2022)
(in thousands)

	Bond Funds									Fiscal 2024 General Reserve and Bond Funds	Fiscal 2023 General Reserve and Bond Funds
	Residential Housing Finance										
	General Reserve	Rental Housing	Bonds	Pool 2	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	Bond Funds Excluding Pool 3	RHFB Pool 3	Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
Cash flows from operating activities:											
Principal repayments on loans and program mortgage-backed securities	\$ -	\$ 9,814	\$ 86,753	\$ 29,947	\$ 44,291	\$ 119	\$ -	\$ 170,924	\$ 2,717	\$ 173,641	\$ 198,661
Investment in loans and program mortgage-backed securities	-	(26,786)	(780,834)	(65,631)	-	-	-	(873,251)	(16,483)	(889,734)	(523,684)
Interest received on loans and program mortgage-backed securities	-	4,477	60,138	9,569	18,495	281	-	92,960	88	93,048	68,777
Fees and other income received	9,972	41	(18)	6,473	-	-	-	16,468	14	16,482	13,206
Salaries, benefits and vendor payments	(22,306)	(129)	(1,051)	(4,130)	(252)	(2)	-	(27,870)	(777)	(28,647)	(27,085)
Administrative reimbursement from funds	22,233	(749)	(8,864)	(1,835)	(3,273)	(45)	-	7,467	(866)	6,601	3,123
Deposits into funds held for others	20,241	-	-	-	-	-	-	20,241	-	20,241	18,919
Disbursements made from funds held for others	(21,669)	-	-	-	-	-	-	(21,669)	-	(21,669)	(19,168)
Interfund transfers and other assets	(6,235)	-	(913)	14,904	(5,000)	1	-	2,757	(9,000)	(6,243)	(229)
Net cash provided (used) by operating activities	2,236	(13,332)	(644,789)	(10,703)	54,261	354	-	(611,973)	(24,307)	(636,280)	(267,480)
Cash flows from noncapital financing activities:											
Proceeds from sale of bonds and notes	-	13,660	958,764	821,174	-	-	-	1,793,598	-	1,793,598	1,608,182
Principal repayment on bonds and notes	-	(5,535)	(101,075)	(847,999)	(47,699)	(120)	(337)	(1,002,765)	-	(1,002,765)	(1,407,046)
Interest paid on bonds and notes	(157)	(817)	(38,397)	(1,930)	(13,587)	(187)	(73)	(55,148)	-	(55,148)	(43,912)
Financing costs paid related to bonds issued	-	(1)	(7,805)	(11)	-	-	-	(7,817)	-	(7,817)	(3,087)
Interest paid/received between funds	5	2	59	(59)	2	-	-	9	-	9	-
Principal paid/received between funds	-	-	-	-	-	-	-	-	-	-	-
Agency contribution to program funds	-	85	22,926	(23,011)	-	-	-	-	-	-	-
Transfer of cash between funds	(5,776)	-	-	(7,224)	-	-	-	(13,000)	13,000	-	-
Net cash provided (used) by noncapital financing activities	(5,928)	7,394	834,472	(59,060)	(61,284)	(307)	(410)	714,877	13,000	727,877	154,137
Cash flows from capital financing activities:											
Purchases of capital assets	(163)	-	-	-	-	-	-	(163)	-	(163)	-
Net cash provided (used) by Capital financing activities	(163)	-	-	-	-	-	-	(163)	-	(163)	-
Cash flows from investing activities:											
Investment in real estate owned	-	-	(200)	(41)	-	-	-	(241)	(16)	(257)	(35)
Interest received on investments	1,914	634	4,890	3,524	937	50	73	12,022	375	12,397	9,581
Net gain(loss) on Sale of MBS Held for Sale and HOME SM Certificates	-	-	-	1,134	-	-	-	1,134	-	1,134	4,726
Proceeds from sale of mortgage insurance claims/real estate owned	-	-	1,056	524	-	-	-	1,580	-	1,580	1,539
Proceeds from maturity, sale or transfer of investment securities	25,000	280	51	782,411	20	-	337	808,099	200	808,299	603,488
Purchase of investment securities	(12,490)	-	-	(734,271)	-	-	-	(746,761)	-	(746,761)	(597,343)
Purchase of loans between funds	-	-	(5,004)	5,004	-	-	-	-	13,000	13,000	5,515
Net cash provided (used) by investing activities	14,424	914	793	58,285	957	50	410	75,833	13,559	89,392	27,471
Net increase (decrease) in cash and cash equivalents	10,569	(5,024)	190,476	(11,478)	(6,066)	97	-	178,574	2,252	180,826	(85,872)
Cash and cash equivalents:											
Beginning of period	77,463	42,831	137,909	32,776	40,310	1,935	-	333,224	1,353	334,577	528,558
End of period	\$ 88,032	\$ 37,807	\$ 328,385	\$ 21,298	\$ 34,244	\$ 2,032	\$ -	\$ 511,798	\$ 3,605	\$ 515,403	\$ 442,686

General Reserve & Bond Funds
Statement of Cash Flows, continued
for the six months ended
December 31, 2023
(unaudited)
(with comparative totals for the six months ended December 31, 2022)
(in thousands)

	Bond Funds								Fiscal 2024 General Reserve and Bond Funds Ended December 31, 2023	Fiscal 2023 General Reserve and Bond Funds Six Months Ended December 31, 2022
	General Reserve	Rental Housing	Residential Housing Finance		Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	General Reserve and Bond Funds Excluding Pool 3	RHFB Pool 3	
			Bonds	Pool 2						
Reconciliation of revenue over (under) expenses to net cash provided (used) by operating activities:										
Revenues over (under) expenses	\$ 7,215	\$ 3,455	\$ 35,301	\$ 5,372	\$ 13,283	\$ 99	\$ -	\$ 64,725	\$ (5,938)	\$ 58,787
Adjustments to reconcile revenues over (under) expenses to net cash provided (used) by operating activities:										
Amortization of premiums (discounts) and fees on program mortgage-backed securities	-	(67)	3,482	(808)	921	-	-	3,528	-	3,528
Amortization of premium and fees on sale of HOMES SM certificates	-	-	-	-	-	-	-	-	-	-
Depreciation	1,428	-	-	204	-	-	-	1,632	-	1,680
Gain (loss) on sale of MBS held for sale and HOMES SM certificates	-	-	-	137	-	-	-	137	-	(1,251)
Realized losses (gains) on securities, net	-	-	-	-	-	-	-	-	-	5
Unrealized losses(gains) on securities, net	-	(270)	(31,475)	1,422	(11,117)	-	-	(41,440)	(5)	142,245
Provision for loan losses	-	522	322	1,520	-	(1)	-	2,363	171	2,596
Reduction in carrying value of certain low interest rate and/or deferred loans	-	(40)	38	(142)	-	-	-	(144)	4,788	4,644
Capitalized interest on loans and real estate owned	-	-	(139)	(42)	-	-	-	(181)	-	(181)
Interest earned on investments	(588)	(1,035)	(6,993)	(3,313)	(977)	(51)	(73)	(13,030)	(395)	(13,425)
Interest expense on bonds and notes	157	1,172	48,739	3,483	13,479	187	73	67,290	-	67,290
Financing expense on bonds	-	1	6,416	7	-	-	-	6,424	-	6,424
Changes in assets and liabilities:										
Decrease (increase) in loans receivable and program mortgage backed securities, excluding loans transferred between funds	-	(16,972)	(694,081)	(35,684)	44,291	119	-	(702,327)	(13,766)	(716,093)
(Increase) decrease in interest receivable on loans	-	(35)	(3,915)	(156)	139	-	-	(3,967)	(6)	(3,973)
(Decrease) increase in arbitrage rebate liability	-	-	93	-	-	-	-	93	-	93
(Decrease) increase in accounts payable	1,962	(63)	(1,664)	2,176	(758)	-	-	1,653	(156)	1,497
(Decrease) increase in interfund payable, affecting operating activities only	(7,514)	-	(1,001)	15,218	(5,000)	-	-	1,703	(9,000)	(7,297)
Increase in funds held for others	(1,428)	-	-	-	-	-	-	(1,428)	-	(1,428)
Other	1,004	-	88	(97)	-	1	-	996	-	996
Total	(4,979)	(16,787)	(680,090)	(16,075)	40,978	255	-	(676,698)	(18,369)	(695,067)
Net cash provided (used) by operating activities	\$ 2,236	\$ (13,332)	\$ (644,789)	\$ (10,703)	\$ 54,261	\$ 354	\$ -	\$ (611,973)	\$ (24,307)	\$ (636,280)

**General Reserve & Bond Funds
Cash and Cash Equivalents
(unaudited)**

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates market value and comprise the following at December 31, 2023 (in thousands):

<u>Funds</u>	<u>Deposits</u>	<u>Money Market Funds</u>	<u>State Investment Pool</u>	<u>Investment Agreements</u>	<u>Combined Totals</u>
General Reserve	\$ -	\$ -	\$ 88,032	\$ -	\$ 88,032
Rental Housing	-	37,807		-	37,807
Residential Housing Finance:					
Bonds	353	327,796	-	236	328,385
Pool 2	312	20,986	-	-	21,298
Homeownership Finance	-	34,244	-	-	34,244
Multifamily Housing	-	2,032	-	-	2,032
HOMES SM	-	-	-	-	-
Subtotal	665	422,865	88,032	236	511,798
Residential Housing Finance:					
Pool 3	73	3,532	-	-	3,605
Total	<u>\$ 738</u>	<u>\$ 426,397</u>	<u>\$ 88,032</u>	<u>\$ 236</u>	<u>\$ 515,403</u>

**General Reserve & Bond Funds
Investment Securities
(unaudited)**

Investment Securities

Investment securities (comprising US Treasuries, US Agencies, municipals, and mortgage-backed securities*) are recorded at fair market value and were allocated to the following funds at December 31, 2023 (in thousands):

<u>Funds</u>	<u>Amortized Cost</u>	<u>Unrealized Appreciation in Fair Market Value</u>	<u>Estimated Fair Market Value</u>
General Reserve	\$ 12,815	\$ -	\$ 12,815
Rental Housing	19,086	(837)	18,249
Residential Housing Finance:			
Bonds	3,150,488	0	2,963,396
Pool 2	45,583	(6,137)	39,446
Homeownership Finance	1,004,828	(86,083)	918,745
Multifamily Housing	-	-	-
HOMES SM	4,423	(375)	4,048
Subtotal	4,237,223	(280,524)	3,956,699
Residential Housing Finance:			
Pool 3	8,265	(1)	8,264
Total	<u>\$ 4,245,488</u>	<u>\$ (280,525)</u>	<u>\$ 3,964,963</u>

*Mortgage-backed Securities Investments

Mortgage-backed securities (MBS) that are pledged as security for the payment of Agency bonds and are held in an acquisition account are presented as "Investments- program mortgage-backed securities" on the financial statements. The Agency may also hold non-program MBS which are included with "Investment securities-other." All investments, including program and non-program MBS, are reported at fair market value on the statement of net position. The difference between the fair market value and the amortized cost is presented as "unrealized gains (losses) on securities" on the statement of revenues, expenses and changes in net position.

General Reserve & Bond Funds
Loans Receivable, net
(unaudited)

Loans Receivable, net

Loans receivable, net at December 31, 2023 consist of the following (in thousands):

<u>Funds</u>	<u>Gross Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Loans Receivable, net</u>
General Reserve	\$ -	\$ -	\$ -
Rental Housing	188,843	(3,205)	185,638
Residential Housing Finance:			
Bonds	199,856	(2,562)	197,294
Pool 2	499,476	(7,969)	491,507
Homeownership Finance	-	-	-
Multifamily Housing	12,839	(64)	12,775
HOMES SM	-	-	-
Subtotal	901,014	(13,800)	887,214
Residential Housing Finance:			
Pool 3	274,602	(140,794)	133,808
Total	<u>\$ 1,175,616</u>	<u>\$ (154,594)</u>	<u>\$ 1,021,022</u>

Included in the table above are certain loans residing in RHFB Pool 3 that are originated at interest rates ranging from 0% to 5% and repayment of which is deferred for up to 30 years. These loans are generally in either a second or lower mortgage position or may be unsecured. Given the nature of these loans and the risk associated with them, at the time of origination most are fully reserved resulting in a net carrying value of zero.

General Reserve & Bond Funds
Bonds Payable, net
(unaudited)

Bonds Payable, net

Bonds payable, net at December 31, 2023 consist of the following (in thousands):

<u>Funds</u>	<u>Par Bonds Outstanding</u>	<u>Premiums on Bonds</u>	<u>Bonds Payable, Net</u>
General Reserve	\$ -	\$ -	\$ -
Rental Housing	77,850		77,850
Residential Housing Finance:			
Bonds	3,420,425	40,094	3,460,519
Pool 2	384		384
Homeownership Finance	981,235		981,235
Multifamily Housing	12,400		12,400
Homes SM	4,423		4,423
Subtotal	4,496,717	40,094	4,536,811
Residential Housing Finance:			
Pool 3	-		-
Total	<u>\$ 4,496,717</u>	<u>\$ 40,094</u>	<u>\$ 4,536,811</u>

APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

The following statements are extracted provisions of the Continuing Disclosure Undertaking to be executed by the Agency in connection with the issuance of the Series Bonds.

Purpose

This Disclosure Undertaking is executed and delivered by the Agency for the benefit of the holders and owners (the “Bondholders”) and the Beneficial Owners of the Series Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule. There is no obligated person other than the Agency that is a party to the Disclosure Undertaking.

Definitions

In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Financial Information*” means the following financial information and operating data (in addition to Audited Financial Statements): information about the Mortgage Loans and Developments of a type substantially similar to that in Appendix A in the Official Statement.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as described under the caption “Annual Financial Information Disclosure” herein.

“*Audited Financial Statements*” means the audited financial statements of the Agency, prepared pursuant to the standards and as described under the caption “Annual Financial Information Disclosure.”

“*Beneficial Owners*” means (1) in respect of a Series Bond subject to a book-entry-only registration system, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series Bond (including persons or entities holding Series Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series Bond for federal income tax purposes, and such person or entity provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee; or (2) in respect of a Series Bond not subject to a book-entry-only registration system, the registered owner or owners thereof appearing in the bond register maintained by the Trustee, as Registrar.

“*Commission*” means the Securities and Exchange Commission.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“*Listed Event*” means the occurrence of any of the events with respect to the Series Bonds set forth below:

1. Principal and interest payment delinquencies;
2. Nonpayment-related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Agency (within the meaning of the Rule);
13. The consummation of a merger, consolidation or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Agency, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Agency, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties.

“*Listed Events Disclosure*” means dissemination of a notice of a Listed Event as described under the heading “Listed Events Disclosure” in this Appendix C.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Listed Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Undertaking” means the obligations of the Agency described under the headings “Annual Financial Information Disclosure” and “Listed Events Disclosure” in this Appendix C.

Annual Financial Information Disclosure

The Agency shall disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below) for each fiscal year of the Agency, commencing with the fiscal year ending June 30, 2024, by one of the following methods: (i) the Agency may deliver such Annual Financial Information and the Audited Financial Statements to the MSRB within 120 days of the completion of the Agency’s fiscal year or (ii) delivery of an Official Statement of the Agency to the MSRB within 120 days of the completion of the Agency’s fiscal year, but only to the extent such Official Statement includes such Annual Financial Information and Audited Financial Statements.

The Agency is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Agency will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Agency shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 120 days after the last day of the Agency’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Agency.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by the Disclosure Undertaking, including for this purpose a change made to the fiscal year-end of the Agency, the Agency will disseminate a notice to the MSRB of such change in Prescribed Form.

Listed Events Disclosure

The Agency hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Listed Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series Bonds or defeasance of any Series Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series Bonds pursuant to the Resolution.

Consequences of Failure of the Agency To Provide Information

The Agency shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Agency to comply with any provision of this Disclosure Undertaking, the Bondholder or Beneficial Owner of any Series Bond may seek specific performance by court order to cause the Agency to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution or any other agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Agency to comply with this Disclosure Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of this Disclosure Undertaking, the Agency may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

- (i) The amendment or waiver is 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 Agency or type of business conducted;
- (ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series Bonds, as determined either by parties unaffiliated with the Agency (such as the Trustee) or by an approving vote of the Bondholders of the Series Bonds holding a majority of the aggregate principal amount of the Series Bonds (excluding Series Bonds held by or on behalf of the Agency or its affiliates) pursuant to the terms of the Resolution at the time of the amendment; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Termination of Undertaking

The Undertaking of the Agency shall be terminated when the Agency shall no longer have any legal liability for any obligation on or relating to the repayment of the Series Bonds. The Agency shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Additional Information

Nothing in this Disclosure Undertaking shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Agency chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the Agency shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Beneficiaries

This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Agency, the Bondholders and Beneficial Owners of the Series Bonds, and shall create no rights in any other person or entity.

Recordkeeping

The Agency shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The Bond Resolution contains various covenants and security provisions, certain of which are summarized below. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Bond Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee.

Resolution Constitutes Contract with Trustee and Bondholders

Upon acceptance by the Trustee of the trusts created in the Bond Resolution and upon the purchase of Bonds by a Holder thereof, the Bond Resolution and applicable Series Resolution shall constitute a contract of the Agency with the Trustee and the Bondholders. The pledge made and security interests granted in the Bond Resolution are for the equal benefit, protection and security of all such Bondholders; all Bonds shall be of equal rank without preference, priority or distinction except as expressly provided or permitted in the Bond Resolution. The Agency covenants that it will cause to be deposited with the Trustee all proceeds of Bonds, all Mortgages, Mortgage Loans, and other securities purchased from Bond Proceeds and all income thereon. The pledge of the Agency is valid and binding from the time when made and all Mortgages, Mortgage Loans, securities and income thereon pledged and received by the Agency shall be subject to the lien thereof. The Agency pledges its full faith and credit for payment of principal, interest, and premium, if any, on the Bonds; the Bonds are a general obligation of the Agency. The State has pledged to and agreed with the Bondholders that it will not limit or alter the rights vested in the Agency nor impair the rights or remedies of the Bondholders until the Bonds, together with interest due, are fully paid.

Definitions

The following are definitions of certain terms used in the Bond Resolution and in this Official Statement (but not otherwise defined herein).

Accreted Value: for any Capital Accumulator Bond or Bonds, as of any date, the value (which may be rounded to the nearest dollar) resulting from the compounding of interest on the original principal amount and accretion thereof to principal on each prior Interest Payment Date at the approximate yield expressed in the Bond and provided in the applicable Series Resolution.

Agency Hedge Payment: a payment due to a Hedge Counterparty from the Agency pursuant to the applicable Hedge Agreement (excluding, however, payments in respect of any early termination of such Hedge Agreement).

Bond Requirement: as of any particular date of calculation, the sum of (i) that amount of the interest to become due on each Series of Outstanding Bonds at its next Interest Payment Date the deposit of which, once each month between that and the last such Interest Payment Date (or if none, since the Issue Date), would produce a sum sufficient to pay such interest, (ii) that amount of the Principal Installment due on each Series of Outstanding Bonds at its next Principal Installment Date, the deposit of which, once each month between that and the last such Principal Installment Date (or if none, once each month for a period of twelve months prior to the next Principal Installment Date), would produce a sum sufficient to pay such Principal Installment; (iii) any amount referred to in clause (i) and (ii) which has not been deposited in the Bond Fund in any month preceding the date of calculation; (iv) any Principal Installment and interest due and unpaid before the date of calculation; and (v) interest accrued on any such Principal Installment and (to the extent lawful) on any such interest, at the same rate as that borne by the Principal Installment before its maturity; provided that if, as of the date of calculation, the interest rate on any Variable Rate Bonds cannot be determined for any period before the next Interest Payment Date therefor, the interest rate for such period shall be assumed to be the Maximum Rate for such Variable Rate Bonds.

Capital Accumulator Bond: any Bond the interest on which is not currently payable on Interest Payment Dates during each year of its term (or portion of its term) but accrues and is accreted to principal on each Interest

Payment Date and is payable as part of the Accreted Value of the Bond at maturity, or at a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Current Interest Bond: any Bond the interest on which is payable on Interest Payment Dates during each year of its term (or portion of its term), or to a prior date on which the Bond is duly called for redemption, as provided in the applicable Series Resolution.

Debt Service Reserve Requirement: as of any particular date of computation, an amount of money (or cash equivalent available under a letter of credit, insurance policy, surety bond or similar security instrument issued by an institution whose debt obligations at the time of such issuance are rated as high as or higher than the Bonds by a nationally recognized bond rating agency) equal to the sum of amounts computed for each Series of Outstanding Bonds, each in accordance with the applicable Series Resolution.

Development: a specific improvement or structure constituting residential housing as defined in the Act, containing units for possession pursuant to a leasehold estate or cooperative ownership, and financed in whole or in part by the issuance of Bonds or Notes.

Escrow Payment: any payment made 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 assist in providing Mortgages, and any payments required to be made with respect to Mortgages for taxes or other governmental charges or other similar charges to a Mortgagor customarily required to be escrowed, and payments or charges constituting construction or operating contingency, performance or completion or replacement reserves required pursuant to the applicable Mortgage Loan or any Subordinate Mortgage Loan.

Expense Requirement: such amount of money as may from time to time by Series Resolution or Supplemental Bond Resolution of the Agency be determined to be necessary for the payment of costs and expenses of the Agency pursuant to the Program (other than costs and expenses properly payable from a Cost of Issuance Account), and including any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds.

Hedge Agreement: a payment exchange agreement, swap agreement, forward agreement or any other hedge agreement between the Agency and a Hedge Counterparty, as amended or supplemented, providing for payments between the parties based on levels of, or changes in, interest rates or other indices, including, without limitation, interest rate exchange agreements, floors or caps, which allows the Agency to manage or hedge payment, rate, spread or similar risk with respect to any Bonds outstanding or proposed to be issued and which is entered into in accordance with the requirements described under the subheading "Hedge Agreements."

Hedge Counterparty: any person or entity with whom the Agency shall from time to time enter into a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Hedge Counterparty Guarantee: a guarantee in favor of the Agency given in connection with the execution and delivery of a Hedge Agreement, as specified in a Series Resolution or other resolution of the Agency.

Interest Payment Date: each date on which interest on any Series of Bonds is required to be paid under the applicable Series Resolution.

Investment Obligation: any of the following, including puts and call options in future contracts traded on a contract market designated and regulated by a federal agency, which at the time are legal investments for Fiduciaries under the laws of the State for moneys held hereunder which are then proposed to be invested therein: (i) direct general obligations of the United States of America; (ii) obligations the payment of the principal of and interest on which, in the opinion of the Attorney General of the United States, is unconditionally guaranteed by the United States; (iii) bonds, debentures, participation certificates, notes or other debt issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal National Mortgage Association, Export Import Bank of the United States, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Government National Mortgage Association, 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 or sponsored thereby; (iv) direct and general obligations of any state within the United States or of any political subdivision of the State of Minnesota, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (v) interest bearing deposit accounts in savings and loan associations or in state, national or foreign banks (including the Trustee and any Paying Agent), provided that either said deposits are insured by the Federal Deposit Insurance Corporation, are secured by obligations described in clauses (i) through (iii) above, or at the time the purchase is made the debt obligations of the depository are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vi) bankers' acceptances drawn on and accepted by commercial banks whose debt obligations at the time the purchase is made are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds; (vii) commercial paper issued by United States corporations or their Canadian subsidiaries rated at the time the purchase is made in the highest rating category for commercial paper by each Rating Agency providing a Rating on Outstanding Bonds and maturing in 270 days or less; (viii) repurchase agreements and reverse repurchase agreements with banks which (1) are members of the Federal Deposit Insurance Corporation and (2) are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, which agreements are secured by obligations described in the preceding clauses (i) through (iii) of this sentence; (ix) guaranteed investment contracts or similar deposit agreements with insurance companies with a claims paying rating from each Rating Agency providing a Rating on Outstanding Bonds at the time the contract or agreement is made at least equal to the respective Rating of the Bonds by the related Rating Agency, or with other financial institutions or corporations provided, at the time the contract or agreement is made, the debt obligations of any such financial institution or corporation are rated as high or higher than the Bonds by each Rating Agency providing a Rating on Outstanding Bonds or such contracts or agreements are secured by obligations described in clauses (i), (ii), (iii) and (viii) above; (x) shares in an investment company registered under the Federal Investment Company Act of 1940 whose shares are registered under the Federal Securities Act of 1933, or shares of a common trust fund established by a national banking association or a bank or trust company organized under the laws of any state with combined capital and surplus of at least \$50,000,000, under the supervision and regulation of the Comptroller of the Currency pursuant to 12 C.F.R. 9, or any successor regulation, and whose only investments are qualified investments described in clauses (i), (ii), (iii) and (viii) above; (xi) notes, bonds, debentures or other debt issued or guaranteed by domestic corporations, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; (xii) notes, bonds, debentures or other debt issued by the World Bank or the Inter-American Development Bank, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by each Rating Agency providing a Rating on Outstanding Bonds; and (xiii) any other investment that as of the date made does not impair the Rating of any Outstanding Bonds.

Maximum Rate: in respect of any Variable Rate Bonds, the maximum interest rate that such Bonds may bear as specified in the Series Resolution authorizing the issuance of the Variable Rate Bonds.

Mortgage: a mortgage deed, deed of trust, or other instrument, which, except as otherwise provided in the Bond Resolution, shall constitute a first lien in the State on improvements and real property in fee simple, or on a leasehold under a lease having a remaining term which, at the time the Mortgage is acquired, does not expire for at least that number of years beyond the maturity date of the Mortgage Loan or Subordinate Mortgage Loan secured by such Mortgage which is equal to the number of years remaining until the maturity date of the Mortgage Loan or Subordinate Mortgage Loan.

Mortgage Loan: a loan by the Agency to a Mortgagor for the financing and/or refinancing of a Development for the purposes set forth in Section 101 of the Bond Resolution, secured by a Mortgage on the Development.

Mortgagor: a natural person, a public or private corporation, a partnership, a joint venture or other organization or entity, to the extent permitted by the Act and the rules of the Agency thereunder (including the Agency or any corporation, agency or instrumentality created or controlled by the Agency).

Outstanding: a reference as of any particular time to all Bonds theretofore delivered except (i) any Bond canceled by the Trustee, or proven to the satisfaction of the Trustee to have been canceled by the Agency or by any other Fiduciary, at or before that time, and (ii) any Bond for the payment or redemption of which either (a) money equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or (b) Investment Obligations or money in the amounts, or the maturities and otherwise as described

and required under the provisions of paragraph (B) or (D) of Section 1201 of the Bond Resolution, has been deposited with one or more Fiduciaries in trust (whether upon or prior to the maturity or redemption date of the Bond) and except in the case of a Bond to be paid at maturity, of which notice of redemption has been given or provided for in accordance with Article VII therein, and (iii) any Bond in lieu of or in substitution for which another Bond has been delivered pursuant to Section 605, 607 or 906 of the Bond Resolution.

Prepayment: any money received from a payment of principal on a Mortgage Loan or Subordinate Mortgage Loan in excess of the scheduled payments of principal then due, or from the sale of a Mortgage Loan or Subordinate Mortgage Loan pursuant to Section 313 of the Bond Resolution, other than money constituting a Recovery Payment.

Principal Installment: as of any particular date of calculation, an amount equal to the sum of (i) the principal amount of Outstanding Current Interest Bonds which mature on a single future date, reduced by the aggregate amount of any Sinking Fund Installments payable before that date toward the retirement of such Outstanding Current Interest Bonds, plus (ii) the amount of any Sinking Fund Installment payable on said future date toward the retirement of such Outstanding Current Interest Bonds, plus (iii) the Accreted Value, as of the same future date, of Capital Accumulator Bonds which mature or are required to be redeemed as a Sinking Fund Installment on such date.

Program: the Agency's program of making Mortgage Loans, including the payment when due of principal of and redemption premium, if any, and interest on Notes, for the purposes specified in Section 101 of the Bond Resolution.

Rating: with respect to any Bonds and as of any date, the rating issued by a Rating Agency then in force and prior to a proposed action to be taken by the Agency. An action does not "impair" the Rating with respect to any Bonds if the action will not cause the Rating Agency to lower or withdraw the rating it has assigned to such Bonds.

Record Date: for (i) payment of principal of and interest on the Bonds shall be the 15th day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Recovery Payment: any money received or recovered by the Agency, in excess of the expenses necessarily incurred by the Agency in collection thereof, from (i) the sale or other disposition of a Development acquired by the Agency, or (ii) condemnation of a Development or part thereof, or (iii) other proceedings taken in the event of default by the Mortgagor, or (iv) the sale or other disposition of a Mortgage in default for the purpose of realizing on the Agency's interest therein, or (v) mortgage insurance or guaranty or hazard insurance.

Redemption Price: when used with respect to a Bond or portion thereof, the principal amount of a Current Interest Bond or the Accreted Value of a Capital Accumulator Bond or any portion thereof plus the applicable premium, if any, payable upon redemption thereof in accordance with its terms.

Revenues: all payments, proceeds, rents, charges and other income derived by or for the account of the Agency from or related to the Program, including without limitation the scheduled amortization payments of principal of and interest on Mortgages (whether paid by or on behalf of the Mortgagor or occupants of the Development subject to the Mortgage) and any Counterparty Hedge Payments payable by or received from or on behalf of any Hedge Counterparty pursuant to a Hedge Agreement or a Hedge Counterparty Guarantee, but not including Prepayments, Recovery Payments or Escrow Payments, and not including inspection, financing, application, commitment or similar fees or charges of the Agency which are included in the original principal amount of a Mortgage.

Sinking Fund Installment: any amount of money required by or pursuant to a Series Resolution as referred to in Section 202 of the Bond Resolution to be paid on a specified date by the Agency toward the retirement of any particular Term Bonds before their maturity.

Sinking Fund Installment Date: the date on which a Sinking Fund Installment is payable.

Subordinate Mortgage Loan: a Mortgage Loan, which may be junior and subordinate to other mortgage liens on a Development, made by the Agency pursuant to the authorization contained in Section 308 of the Bond Resolution.

Variable Rate Bonds: any Bonds the interest rate on which varies periodically such that the interest rate at a future date cannot be determined as of the date of calculation.

Authorization of Bonds

In order to provide sufficient funds for the Program, Bonds of the Agency designated as Rental Housing Bonds are authorized by the Bond Resolution to be issued from time to time without limitation as to amount except as provided in the Bond Resolution or as may be limited by law, and shall be issued subject to the terms, conditions and limitations established in the Bond Resolution. The full faith and credit of the Agency is pledged for the security of the Bonds, including interest and redemption premiums thereon, and the Bonds are general obligations of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of any other resolutions, indentures or state laws now or hereafter pledging and appropriating particular moneys, assets or revenues to particular notes or Bonds.

Other Obligations

(A) Except as provided in Article II of the Bond Resolution, the Agency covenants that it will not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Revenues or will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution, including the Debt Service Reserve Fund. The foregoing provision shall not be construed as prohibiting the Agency from entering into hedging transactions, such as interest rate swaps, in connection with the issuance of any Series of Bonds, or in connection with the payment of any Series of Outstanding Bonds.

(B) The Agency expressly reserves the right to adopt one or more additional bond or note resolutions and reserves the right to issue other obligations so long as they are not a charge or lien prohibited by paragraph (A) of this Section of the Bond Resolution.

Pledge of the Resolution

The Agency in the Bond Resolution covenants that it will cause to be paid to and deposited with the Trustee, or to its credit with Depositories designated by the Agency, and pledges and grants to the Trustee a security interest in, all proceeds of Bonds, all Mortgages and Mortgage Loans and other securities made and purchased from such proceeds (or from the proceeds of Notes paid from the proceeds of Bonds), and all income and receipt therefrom. This pledge is intended to be valid and binding from the time when made, and the Bond proceeds, Mortgages, Mortgage Loans, other securities, income and receipts pledge and hereafter received by the Agency are immediately to be subject to the lien thereof without any physical delivery or further act, and the lien of such pledge is intended to be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Agency, whether or not such parties have notice thereof.

Custody and Application of Bond Proceeds

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which the proceeds of such Series of Bonds may be used and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (a) the making of Mortgage Loans, (b) the financing of Mortgage Loans previously made from the proceeds of Notes, (c) the refunding of Outstanding Bonds, and (d) incident to these purposes, the deposit of amounts determined by or pursuant to the Bond Resolution to be credited and paid into the Funds and Accounts referred to in the Bond Resolution.

Note Accounts. Money in any Note Account shall be held by the Trustee and applied as directed by the applicable Series Resolution to the payment of Notes upon receipt of an Officer's Certificate identifying them by title, date of issuance and maturity or redemption, interest rate and the person to whom payment is to be made and the amount thereof. All interest and other income received from the deposit and investment of money in the Note Account pending application to the payment of Notes, unless otherwise directed by the applicable Series Resolution, shall be transferred as received to the Revenue Fund. Upon receipt of evidence satisfactory to the Trustee that such Notes have been paid and canceled, the Trustee shall transfer any balance remaining in the Note Account to the appropriate Project Account.

Project Account and Mortgage Loan Accounts. Money in each Project Account and Mortgage Loan Account shall be held by the Trustee or a Depository as directed by an Officer's Certificate. The Trustee shall create specific Mortgage Loan Accounts within the Project Account to finance specific Developments and the Trustee shall from time to time pay out or permit the designated Depository to pay out money in any Mortgage Loan Account held for the purpose of making a Mortgage Loan, upon receipt by the Trustee (or by the Depository with a copy to the Trustee) of an Officer's Certificate as to each payment or withdrawal, stating:

- (i) the name of the Mortgagor to, and Development for, which the payment is to be made;
- (ii) the amount to be paid; and
- (iii) that this amount, together with all prior withdrawals from said Mortgage Loan Account and all prior advances made by the Agency to the Mortgagor on account of the Mortgage Loan, will not exceed in the aggregate the authorized amount of the Mortgage Loan.

All interest and other income from time to time received from the deposit and investment of money in the Project Account or any Mortgage Loan Accounts shall be transferred as received to the Trustee for deposit in the Revenue Fund.

Promptly upon the fulfilling of its commitment to make a Mortgage Loan to a Mortgagor, or upon revocation of the commitment before any substantial disbursement of funds thereunder, the Agency will deliver to the Depository and the Trustee an Officer's Certificate stating such fact and the amount of money, if any, remaining in the applicable Mortgage Loan Account, and directing this amount to be transferred by the Depository to the Trustee and deposited by the Trustee in a designated Project Account or in one or more designated Mortgage Loan Accounts or the Redemption Fund.

Mortgage Provisions and Conditions

Each Mortgage Loan financed from the proceeds of Bonds or of Notes paid from the proceeds of Bonds or from amounts made available from the Redemption Fund, and the Mortgage securing it, shall conform to the following terms, conditions, provisions and limitations as well as those stated in "Program Covenants" herein, except to the extent, if any, that a variance therefrom is required by an agency or instrumentality of the United States guaranteeing, insuring, or otherwise assisting in the payment of the Mortgage Loans. In addition, the Agency may, solely from Excess Revenues under the Bond Resolution which could otherwise be withdrawn therefrom pursuant to Section 404(5) thereof, make Subordinate Mortgage Loans with respect to a Development upon such terms and conditions as the Agency may deem appropriate, and without regard to the following provisions.

Lien. With respect to each Mortgage Loan, the Mortgage and complementary financing statements and other necessary documents shall be executed, recorded and filed in accordance with the requirements of existing laws, so as to create and constitute a valid first mortgage lien on the real property or leasehold interest in real property of the Mortgagor which is the site of the Development and improvements thereon for which the Mortgage Loan is made, and a valid security interest in all personal property acquired with proceeds of the Mortgage Loan and attached to or used in the operation of the Development.

Title. Before the disbursement of Bond proceeds to make the Mortgage Loan or to pay Notes the proceeds of which were used to make it, the Mortgagor shall have acquired marketable title in fee simple to the site of the Development, or a leasehold interest therein sufficient as the subject of a Mortgage as defined in Section 103 of the Bond Resolution, subject only to liens and encumbrances which in the reasonable judgment of the Agency do not materially affect its value or usefulness for the intended use; and there shall be deposited with the Trustee, or with an agent (which may be the Agency) authorized by the Trustee to receive on its behalf and transmit to the Trustee, (i) the Mortgage; (ii) the note evidencing the Mortgage Loan; (iii) an acceptable title opinion or title insurance policy; and (iv) originals or photocopies of all other agreements and certificates of the Mortgagor relating to the Development.

Participation. The Agency may participate with another party or parties in the making of a Mortgage Loan for various purposes as set forth in the Resolution, if its mortgage lien and security interests, in proportion to its participation, is on a parity with or superior to that of all other parties, but the interest rate and time and rate of amortization of that part of the Mortgage Loan made by the Agency and that made by others need not be equal. The

Agency may make an additional Mortgage Loan in certain circumstances on a parity of lien with the Mortgage then held by the Agency or subordinate thereto (but not junior or subordinate to a mortgage held by any other party unless permitted by the Resolution).

Prepayments. With respect to each Mortgage Loan, the Mortgage shall not permit a Prepayment of the Mortgage Loan without the consent of an Authorized Officer of the Agency, unless required by an agency of the United States as contemplated in this section; but the Agency may undertake in the Mortgage to give its consent if the following conditions with respect to Prepayment exist:

- (a) the amount to be paid prior to satisfaction of the Mortgage equals, as of the date of the Prepayment:
 - (i) the unpaid principal balance of the Mortgage Loan; plus
 - (ii) accrued interest to the date of the Prepayment; plus
 - (iii) unless waived or modified by the Agency, a prepayment penalty calculated in accordance with the terms of the Mortgage; and
- (b) an Authorized Officer determines that after such Prepayment (whether total or partial), the Agency will remain in compliance with its Revenue Covenant.

The Agency may consent to the Prepayment of any Subordinate Mortgage Loan upon such terms as it, in its sole discretion, deems appropriate.

Insurance and Escrow. With respect to each Mortgage Loan, the Mortgage or an accompanying document shall require the Mortgagor:

- (a) to procure and maintain fire and extended coverage insurance on the Development in amount as determined by the Agency, payable to the Agency as its interest may appear;
- (b) to pay all taxes, special assessments and other lawful governmental charges with respect to the Development before they become delinquent, and all claims for work done and materials furnished with respect thereto before they are filed as liens on the Development, except during any period for which payment of part or all thereof may be deferred, with the written consent of and upon such terms as are specified by an Authorized Officer, for the purpose of contesting the same; and
- (c) to make monthly Escrow Payments to the Agency or a Servicer or a Depository sufficient to accumulate funds for taxes and other governmental charges and insurance premiums.

Disbursements. Before the disbursements of a Mortgage Loan from Bond proceeds the Mortgagor shall have completed the Development and paid all costs thereof in a manner approved by an Authorized Officer, or shall have:

- (a) obtained all governmental approvals required by law for the acquisition and construction of the Development;
- (b) obtained written approval by an Authorized Officer of final plans and specifications for the Development and provided, if required, assurance and documentation of a nature and in an amount sufficient in the opinion of an Authorized Officer, securing performance of the work in accordance therewith, provided that no disbursement of construction costs shall be made until such approval is given and such assurance furnished;
- (c) deposited with the Trustee or a Depository cash or an irrevocable letter of credit or other valuable consideration satisfactory to an Authorized Officer, in any amount by which the cost of the Development as estimated by the Agency exceeds the authorized amount of the Mortgage Loan.

The Agency may impose additional disbursement requirements, or modify the foregoing requirements, to the extent required to comply with the rules, regulations or procedures of any agency or instrumentality of the United States guaranteeing, insuring or otherwise participating in the making of a Mortgage Loan or the repayment thereof.

Alienation. Except as provided below, with respect to each Mortgage Loan, the Mortgage shall not permit the sale, lease or encumbrance of the Development without the written consent of the Agency, by its Authorized Officer, which consent may be given (but need not be given) only in the cases of:

- (a) receipt of full Prepayment conforming to the requirements stated below;
- (b) grant of easements, licenses or rights-of-way over, under or upon the site of the Development which, in the opinion of the Officer, do not destroy or diminish its usefulness for the purpose intended;
- (c) lease of the Development or a part thereof to a third party for the purpose of operation, provided that such lease is permitted by law and is subject to all of the terms, provisions and limitations of the Mortgage;
- (d) sale or exchange of any improved or unimproved land which in the opinion of an Authorized Officer is not needed for the efficient operation of the Development, provided that an appraisal acceptable to the Agency is received showing that the Development, subsequent to such release, has an appraised value not less than 110% of the outstanding principal balance of the Mortgage;
- (e) sale to another eligible Mortgagor approved by resolution of the Agency, who assumes all obligations of the original Mortgagor under the Mortgage and accompanying documents; in which case the Agency may release the original Mortgagor unless otherwise provided in the Mortgage;
- (f) grant of a parity mortgage lien on the Development or a portion thereof if such parity mortgage lien is given to secure financing for the expansion, improvement or renovation of the Development or portion thereof; or
- (g) grant of a subordinate mortgage lien on the Development or a portion thereof.

Enforcement. The Agency shall diligently enforce, and take all reasonable steps, actions and proceeding necessary for the enforcement, of all terms, covenants and conditions of Mortgages securing Mortgage Loans made by the Agency, including the prompt collection of Mortgage repayments and fees and charges and other Revenues.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Mortgage securing a Mortgage Loan and to protect and enforce the rights and interests of Bondholders under the Bond Resolution, the Agency shall commence foreclosure proceedings against each Mortgagor in default under the provisions of a Mortgage, shall bid for and purchase the Development covered by such Mortgage at the foreclosure or other sale thereof and shall acquire and take possession of such Development.

Upon foreclosure of a Mortgage securing a Mortgage Loan, or upon acquisition of the Development in lieu of foreclosure of a Mortgage in default, and so long as the Agency shall have title to or be in possession of the Development, the Agency shall, as the case may be, construct, operate and administer such Development in the place and stead of the Mortgagor in such manner as the Agency reasonably determines is in the best interests of the Bondholders. In so doing, the Agency, to the extent it may have money available for such purpose, including any money on deposit in the Mortgage Loan Account relating to the Development, may complete the construction and development thereof if not already completed in such manner as the Agency reasonably determines is in the best interests of the Bondholders. From money provided by the Agency from the ownership and operation of the Development, to the extent such money is sufficient for the following purposes, the Agency shall first pay or make provision for payment of the costs and expenses of taxes, insurance, foreclosure fees, including appraisal and legal fees and similar expenses required to preserve or acquire unencumbered title to the Development, and after providing currently for these expenses shall pay the cost and expenses of operating the Development, including the repayments which the Mortgagor was obligated to pay pursuant to the terms and provisions of the Mortgage. The Trustee or other Depository of the Mortgage Loan Account established with respect to any Development foreclosed or otherwise acquired by the Agency prior to its completion shall be authorized to pay to the Agency upon its requisition any

amount on deposit in the Mortgage Loan Account, upon receipt of an Officer's Certificate that such amount is required to pay an item that would have been included in the cost of the Development had the Agency not acquired the same. If the Agency determines that completion of the Development is not in the best interests of the Bondholders, the remaining funds in any such Mortgage Loan Account shall be disposed of in the same manner as set forth in the Bond Resolution for funds remaining in a Mortgage Loan Account upon completion of a Development or cancellation of a commitment to make a Mortgage Loan for a Development.

Upon or after foreclosure of a Development under a Mortgage securing a Mortgage Loan, or acquisition thereof from the Mortgagor in lieu of foreclosure:

- (a) the Agency may resell the Development to an eligible Mortgagor and make a Mortgage Loan with respect thereto as if such eligible Mortgagor were the original Mortgagor, subject to all of the terms, provisions, conditions and limitations contained in this section and "Program Covenants" below; or the Agency may sell the Development to a party other than an eligible Mortgagor;
- (b) the Agency shall not resell the Development for a price less than its fair market value as reasonably determined by the Agency through a solicitation of bids for the purchase of the Development or by an appraiser or other real estate consultant selected by the Agency and acceptable to the Trustee;
- (c) subsequent to such sale the Agency must remain in compliance with its Revenue Covenant under the Bond Resolution; and
- (d) all proceeds from the sale of any Development shall be considered a Recovery Payment and shall be deposited in the Suspense Account in the Redemption Fund.

The foregoing provisions regarding foreclosure of mortgages shall not apply to Mortgages securing Subordinate Mortgage Loans, and the Agency may proceed to protect and enforce the rights of the Agency under a Mortgage securing a Subordinate Mortgage Loan in such manner as the Agency, in its sole discretion, deems appropriate.

Modification. Except as otherwise permitted by the terms of the Bond Resolution, the Agency shall not consent to the modification of the security for or any terms or provisions of any Mortgage Loan or the Mortgage securing the same in a manner materially detrimental to Bondholders. No reduction in the interest rate or schedule of payments will be made which would result in a failure by the Agency to comply with its Revenue Covenant. Notwithstanding the foregoing, the Agency may consent to the modification of the terms of any Subordinate Mortgage Loan or Mortgage securing such loan in any manner and to any extent the Agency, in its sole discretion, deems appropriate.

Sale. The Agency may sell any Mortgage or other obligation securing a Mortgage Loan provided that after such sale an Authorized Officer determines the Agency will remain in compliance with its Revenue Covenant. The Agency may sell any Mortgage or other obligation securing a Subordinate Mortgage Loan upon such terms and conditions as the Agency, in its sole discretion, deems appropriate.

Program Covenants—Revenue Covenant

The Agency shall from time to time, with all practical dispatch and in a sound economical manner consistent in all respects with the Act as then amended and in effect and with the provisions of the Bond Resolution, use and apply the proceeds of the Bonds, to the extent not required by the Bond Resolution for other Program purposes, to make Mortgage Loans pursuant to the Act and the Bond Resolution, and shall do all such acts and things as are necessary to receive and collect Revenues, Prepayments, Recovery Payments and Escrow Payments, consistent with sound practices and principles, and shall diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of the Mortgage Loans. The Agency shall also take all steps, actions and proceedings reasonably necessary in the judgment of the Agency for the enforcement of all terms, covenants and conditions of Subordinate Mortgage Loans.

There shall at all times be scheduled payments of principal and interest on Mortgage Loans pledged under the Bond Resolution which, when added to any other legally enforceable payments on Mortgage Loans or with respect

to the Bond Resolution (including Counterparty Hedge Payments), and interest and other income estimated by the Agency to be derived from the investment or deposit of money available therefor in any Fund or Account created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on all Outstanding Bonds (excluding from such calculations all amounts scheduled to be received pursuant to the provisions of Subordinate Mortgage Loans). In making a determination as of any date that the Agency is in compliance with this covenant, the Agency may make assumptions as to future events (including, as applicable, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such determination.

The Agency reserves the right:

(a) at the time of issuance of any Series of Bonds for the purpose of repaying notes or Bonds the proceeds of which were used to make a Mortgage Loan, to consent to a reduction of the interest on that Mortgage Loan, provided that the Agency will then be in compliance with the preceding paragraph;

(b) at any time, to forgive a portion of the interest on a Mortgage Loan by consenting to the establishment of scheduled payments of principal and interest lower than those required to amortize the Mortgage Loan during its then remaining term at the agreed interest rate, provided that (i) the scheduled payments of principal and interest on all Mortgage Loans, giving effect to that and all similar reductions then in effect, will in the aggregate be sufficient to comply with the preceding paragraph, and (ii) if it is subsequently determined by an Authorized Officer that such aggregate scheduled principal and interest payments will or may be insufficient for such compliance, such forgiveness may be terminated in whole or in part with respect to subsequent payments on that Mortgage Loan; and

(c) to consent to any modifications to a Subordinate Mortgage Loan, including forgiving all or a portion of principal thereof or interest thereon, as the Agency may determine in its sole discretion. The Agency reserves the right to withdraw any amount from its General Reserve Account and deposit it in the Bond Fund in payment and satisfaction of a corresponding amount of the scheduled principal or interest payments on any Mortgage Loan. The Agency shall be entitled to recover from the Mortgagor any amounts so advanced, together with interest thereon at the rate payable on the Mortgage Loan, or to enforce its right to such recovery under the Mortgage, but only after all other defaults thereunder have been cured.

Deposit of Revenues and Other Money

The Agency will collect and deposit or will require a Servicer to collect and deposit with the Trustee or a Depository, on the date of receipt so far as practicable, all Revenues, Prepayments, Recovery Payments and Escrow Payments receivable from Mortgagors, and will forward or require the Depository to forward promptly to the Trustee statements of each amount deposited except Escrow Payments. The Trustee shall be accountable only for moneys actually so deposited, other than Escrow Payments. All moneys so deposited shall be apportioned by the Agency or Servicer and paid into and credited on the books of the Depository and the Trustee as follows:

- (a) Revenues to the Revenue Fund;
- (b) Prepayments and Recovery Payments to the Redemption Fund; and
- (c) Each Escrow Payment to an Escrow Account separately held by the Depository or the Agency.

Revenue Fund

As of the first and on or before the tenth day of each month after the first delivery of Bonds, on any Interest Payment Date or on any date as further provided in clause (d) below, from any moneys in the Revenue Fund then held by the Trustee and Depositories, the Trustee shall withdraw and pay into each of the following Funds the amount indicated in the following tabulation, or so much thereof as remains after first crediting to each Fund preceding it in the tabulation the full amount indicated for that Fund:

- (a) to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Bond Requirement;

(b) to the Debt Service Reserve Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions), the amount needed to increase the aggregate balance therein to the Debt Service Reserve Requirement;

(c) to an Account in the Revenue Fund held by the Trustee at its Principal Office, the additional amount needed to make each of the payments which will be required under the foregoing clauses (a) and (b) to be made as of the first day of the following month:

(d) if payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) equal or exceed the Requirements applicable thereto, to the Expense Fund, the amount then required to increase the balance therein to the Expense Requirement (provided that the Agency may elect to receive the Expense Requirement from time to time by payment directly from the Revenue Fund upon providing the Trustee with an Officer's Certificate as provided in the Bond Resolution); and

(e) when authorized by an Officer's Certificate, the Trustee may credit Revenues to the Bond Fund (and such separate Accounts therein as may be designated by one or more Series Resolutions) upon receipt, up to the amount of the current Bond Requirement, and in excess of that requirement if the current Debt Service Reserve and Expense Requirements, if any, have been met.

In the event that on any Interest Payment Date, after payment of all interest and Principal Installments then due, the amounts in all Funds and Accounts referred to in clauses (a) to (d) equal or exceed the Requirements applicable thereto, any amount then on hand in the Revenue Fund and any Revenues thereafter received in excess of the current requirements of all of said Funds and Accounts may be transferred to the Agency's General Reserve Account, and shall be so transferred upon request in writing by an Authorized Officer; provided that no such transfer shall be made unless, after giving effect to such transfer, total assets of the Bond Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by an Officer's Certificate.

The Agency reserves the right, in its sole and absolute discretion, to deliver to the Trustee from time to time funds not constituting Revenues or otherwise subject to the pledge of the Bond Resolution and an Officer's Certificate directing the Trustee to credit such funds to one or more Funds or Accounts hereunder, and the Trustee is authorized to credit such funds in accordance with the directions of the Officer's Certificate and such funds shall thereupon become subject to the lien and provisions of the Bond Resolution, as applicable.

Bond Fund

(a) The Trustee shall withdraw from the Bond Fund, prior to each Interest Payment Date an amount equal to the unpaid interest due on the Outstanding Bonds on or before that date, and shall cause it to be applied to the payment of said interest when due, or shall transmit it to one or more Paying Agents who shall apply it to such payment as provided in Series Resolutions.

(b) If the withdrawals required under (a) above on the same and every prior date have been made, the Trustee shall withdraw from the Bond Fund, prior to each Principal Installment Date and Sinking Fund Installment Date, an amount equal to the principal amount or Accreted Value of the outstanding Bonds, if any, maturing or subject to mandatory redemption on or before that date and shall cause it to be applied to the payment of the principal or Accreted Value of said Bonds when due or transmit it to Paying Agents who shall apply it to such payment.

(c) Each withdrawal from the Bond Fund under (a) and (b) above shall be made not earlier than five (5) days prior to the Interest Payment or Principal Installment Date or Sinking Fund Installment Date to which it relates, and the amount so withdrawn shall be deemed to be part of the Bond Fund until the Interest Payment Date or Principal Installment Date or Sinking Fund Installment Date.

(d) The Trustee shall apply money in the Bond Fund to the purchase or the redemption of Outstanding Term Bonds subject to mandatory redemption in the manner provided in this paragraph and Section 702 of the Bond Resolution, provided that no such Bond shall be purchased during the period of thirty (30) days next preceding the Date of a Sinking Fund Installment established for such Bonds. The price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this paragraph shall not exceed the Redemption Price applicable on the next date on which such Bond could be redeemed in accordance with its terms as part of a Sinking Fund Installment. Subject to the limitations set forth and referred to in this paragraph, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Agency may determine in an Officer's Certificate furnished to the Trustee.

(e) As soon as practicable after the forty-fifth and before the thirtieth day prior to the Date of each Sinking Fund Installment, unless a different notice period is required by the applicable Series Resolution, the Trustee shall call for redemption on that date the principal amount or Accreted Value of the remaining Bonds entitled to said Installment, and on that date the Trustee shall apply the money in the Bond Fund to the payment of the Redemption Price of the Bonds so called for redemption.

(f) If, on any Interest Payment Date for Bonds that are subject to a Hedge Agreement, payment of interest and Principal Installments, if any, then or theretofore due on all Outstanding Bonds has been made in full and the amounts on deposit in all Funds and Accounts referred to in clauses (a) to (c) under the heading "Revenue Fund" equal or exceed the Requirements applicable thereto, then any amounts on hand in the Bond Fund in excess of the Bond Requirement on such date shall be transferred to the Expense Fund upon the written request of an Authorized Officer if required to increase the balance therein to the Expense Requirement in respect of Agency Hedge Payments and credit or liquidity support or remarketing fees then owing.

(g) No amount is to be withdrawn or transferred from or paid out of the Bond Fund except as described in this Section.

Debt Service Reserve Fund

(a) If at any time there is not a sufficient amount in the Bond Fund to provide for the payment when due of Principal Installments of and interest on the Outstanding Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Bond Fund the amount of the deficiency then remaining. The Trustee shall notify the Agency in writing ten (10) days prior to any such withdrawal from the Debt Service Reserve Fund.

(b) In addition to the payments made into the Debt Service Reserve Fund pursuant to Section 404 of the Bond Resolution or otherwise, the Agency shall deposit in the Debt Service Reserve Fund any

money appropriated and paid to the Agency by the State pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the Debt Service Reserve Requirement.

(c) If as of the first day of any month the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee within ten (10) days thereafter shall withdraw any amount therein in excess of the Debt Service Reserve Requirement, and pay the same into the Revenue Fund.

(d) The Agency shall at all times maintain the Debt Service Reserve Fund and will do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Agency or the Trustee under the terms and provisions of Article IV of the Bond Resolution and of the Act.

(e) In order to better secure the Bonds and to make them more marketable and to maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement, and in accordance with the provisions of Section 22, Subdivision 8 of the Act, the Agency shall cause the Chairperson, annually, on or before December 1 of each year, to make and deliver to the Governor of the State a certificate stating (a) the amount, if any, that is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement (but not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all Bonds and Notes which are then Outstanding and secured by the Debt Service Reserve Fund) and (b) the amount, if any, determined by the Agency to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received into the Revenue Fund during that year, for the payment of the principal and interest due and payable in that year on all then Outstanding Bonds and Notes secured by the Debt Service Reserve Fund. All moneys received by the Agency from the State in accordance with the provisions of Section 22, Subdivision 8 of the Act pursuant to any such certification shall be paid to the Trustee for deposit in and credit to the Debt Service Reserve Fund or Revenue Fund, as provided in the Bond Resolution.

(f) No amount is to be withdrawn from or paid out of the Debt Service Reserve Fund except as described in this Section.

Expense Fund

(a) Money deposited in the Expense Fund, if any, shall be disbursed for the payment of continuing expenses of the Program (including operating and maintenance expenses of Developments in the possession of the Agency), any Agency Hedge Payments owing from time to time to a Hedge Counterparty pursuant to a Hedge Agreement and any fees or expenses owing from time to time to a person or entity providing credit or liquidity support or remarketing services in respect of any Bonds upon receipt of an Officer's Certificate stating the name of the party to be paid, the amount to be paid and the purpose of the payment.

(b) Income received or other money held in the Expense Fund in excess of the Expense Requirement shall be credited by the Trustee to the Revenue Fund.

(c) No amount is to be withdrawn, transferred or paid out of the Expense Fund except as described in this Section.

Redemption Fund

(a) The Trustee shall establish a Suspense Account in the Redemption Fund, to which it shall credit all Prepayments and Recovery Payments, and all surplus amounts transferred from Mortgage Loan Accounts under Section 307(G) of the Bond Resolution; each of which shall be used and applied as directed by an Officer's Certificate, either (i) to provide additional funds to a Mortgage Loan Account for an increase in the amount of a Mortgage Loan authorized by the Agency, or (ii) for the establishment of one or more Mortgage Loan Accounts for new Mortgage Loans made by the Agency, or (iii) for the purchase or redemption of Outstanding Bonds, or (iv) if no Bonds of a Series are Outstanding and Prepayments have been received from one or more Mortgage Loans financed by Bonds of the Series, any such remaining Prepayments, for the payment of any Agency Hedge Payments under, or any amounts payable by the Agency upon early termination of, a Hedge Agreement relating to such Series of Bonds; provided that as of the first

day of each month while any Prepayment or Recovery Payment is held in the Suspense Account, the Trustee shall transfer from that Account to the Bond Fund the scheduled monthly payment of principal of the Mortgage Loan with respect to which the Prepayment or Recovery Payment was received, less the amount of any payment of principal actually received with respect to such Mortgage Loan, if such transfer is required in order to meet the Bond Requirement.

(b) By Officer's Certificate the Agency may authorize the increase of any Mortgage Loan or the making of a new Mortgage Loan as contemplated above, and for that purpose may appropriate any money at the time available in or transferred to the Redemption Fund in accordance with the provisions of Article IV of the Bond Resolution to one or more designated Mortgage Loan Accounts for disbursement pursuant to Section 307 of the Bond Resolution. Upon the filing with the Trustee of the Officer's Certificate, the Trustee shall withdraw from the Redemption Fund and deposit the amount authorized in each Mortgage Loan Account designated in the Certificate.

(c) Upon receipt of the Officer's Certificate referred to in Section 702 of the Bond Resolution, the Trustee shall apply money in the Redemption Fund not otherwise applied in accordance with paragraphs (a) and (b) above to the purchase of Bonds designated in the Certificate at the most advantageous price obtainable with due diligence. Bonds not so purchased may be redeemed at a Redemption Price determined by Series Resolution at the time and in the manner provided in Article VII of the Bond Resolution. Bonds shall not be purchased pursuant to this paragraph during the period of forty-five (45) days next preceding a redemption date from money to be applied to the redemption of Bonds on such date.

(d) Notwithstanding the foregoing, any Prepayment or Recovery Payment received with respect to a Subordinate Mortgage Loan may be used and applied, as directed by an Officer's Certificate, in such manner as the Agency, in its sole discretion, may determine.

(e) Income from the investment of the Redemption Fund shall be credited as received to the Revenue Fund.

(f) No amount is to be withdrawn or transferred from or paid out of the Redemption Fund except as described above.

Escrow Accounts

Escrow Payments received by the Agency or a Servicer, whether separately or as part of some other payment, shall be deposited in an Escrow Account and shall be promptly applied by the Agency or Servicer to the purpose for which such payments were received, and any such payments received by the Trustee or a Depository, whether separately or as part of some other payment, shall immediately be paid to the Agency and applied by the Agency to the purpose for which they were received.

General Reserve Account

All amounts authorized in Article IV of the Bond Resolution to be withdrawn from the Revenue Fund and deposited in the General Reserve Account of the Agency shall be free and clear of any lien or pledge created by the Bond Resolution and may be used for any purpose authorized by the Act, subject to the provisions of Section 102, clauses (6) and (7) of the Bond Resolution.

Investment and Deposit of Funds

(a) Subject to instructions from time to time received from an Authorized Officer (which need not be in writing), and with the objective of assuring the maximum yield reasonably possible on money held in each Fund, each Fiduciary shall keep all money held by it invested and reinvested, as continuously as reasonably possible, in Investment Obligations defined in Section 103 of the Bond Resolution (including interest-bearing time deposits and certificates of deposit). All Investment Obligations shall mature or be redeemable (at the option of the holder) and bear interest payable at the times and in the amounts estimated to be necessary to provide funds for Mortgage Loan disbursements and for the payment of the principal and Accreted Value of and interest and premium, if any, on Bonds when due or when scheduled for redemption pursuant to applicable Series Resolutions. The maturity date of a security purchased under a repurchase

agreement shall be deemed to be the agreed repurchase date. The maturity date of a time deposit or certificate of deposit shall be deemed to be any date on which, with such notice as may be required, the deposit may be withdrawn without loss of interest.

(b) Money in separate Funds may be commingled for the purpose of investment or deposit, subject to instructions from an Authorized Officer, to the extent possible in conformity with the provisions of paragraph (a) of this Section. Moneys in separate funds or series accounts may be invested in common trust funds or pools of which such money forms a part pursuant to the terms of which each Fund or series account is allocated a share of a pooled security proportionate to the amount contributed to the purchase price of the pooled security, subject to the provisions of paragraph (a) of this Section and to the restrictions on Investment Obligations imposed by each Series Resolution. Investments shall be sold at the best price obtainable, and amounts held in certificates of deposit or time deposits shall be withdrawn, whenever necessary in order to make any disbursement or repurchase of Mortgage Loans, payment of expenses of debt service. Investment Obligations need not be disposed of to make required transfers from one Fund or Account to another, but one or more Investment Obligations or portions thereof may be transferred in lieu of cash.

(c) Subject to approval by an Authorized Officer, the Trustee or another Fiduciary may apply money pertaining to any Fund or Account created by or pursuant to the Bond Resolution to the purchase of Investment Obligations owned by it or its individual capacity, and may sell to itself in its individual capacity Investment Obligations held by it in any such Fund or Account as such Fiduciary.

Additional Bonds

The Bond Resolution provides that after authorization by a Series Resolution and compliance with such requirements as are set forth therein, Bonds of any Series may be delivered upon the following, among other, conditions:

The Agency shall furnish to the Trustee:

(a) copies of the Bond Resolution and the applicable Series Resolution, certified by an Authorized Officer;

(b) a Counsel's Opinion that:

(i) the Bond Resolution and the applicable Series Resolution have been duly adopted by the Agency and are valid and binding upon it and enforceable in accordance with their terms;

(ii) the Bond Resolution creates the valid pledge which it purports to create; and

(iii) the principal amount of the Bonds to be issued and other obligations theretofore issued by the Agency does not exceed any legal limitation;

(c) an Officer's Certificate stating:

(i) the amounts to be deposited in all Funds and Accounts;

(ii) that the issuance of the Bonds will have no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on all Bonds (including the Outstanding Bonds and the Bonds then to be issued);

(iii) that after such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of Notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans or with respect to the Bond Resolution (including Counterparty Hedge Payments), and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all Funds and Accounts created by the Bond Resolution, will be sufficient to pay the Principal Installments of and interest on the Bonds then Outstanding and the

additional Series of Bonds on their Principal Installment and Interest Payment Dates (excluding from such calculations the amounts to be received by the Agency pursuant to any Subordinate Mortgage Loans); provided that, in making such statement the Authorized Officer may set forth the assumptions upon which the statement is based (including, without limitation, assumptions as to the amounts of Agency Hedge Payments and Counterparty Hedge Payments and the amount of interest payable on Variable Rate Bonds), which assumptions shall be based upon the Agency's reasonable expectations as of the date of such Officer's Certificate; and

(iv) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by the additional Bonds); and

(d) if the Bonds to be issued are Variable Rate Bonds or are the subject of a Hedge Agreement, written confirmation from each Rating Agency that the issuance of such Bonds will not impair the Rating on any Bonds then Outstanding.

The Trustee shall determine and certify:

(a) that it has received the documents listed above; and

(b) that the amount of Bond proceeds or other funds of the Agency to be deposited in the Debt Service Reserve Fund is sufficient to increase the amount in the Fund to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

Hedge Agreements

The Agency may from time to time enter into one or more Hedge Agreements with respect to any Series of Bonds outstanding or proposed to be issued on the terms and conditions and subject to the limitations set forth in this section and elsewhere in the Bond Resolution. The Agency shall not enter into a Hedge Agreement unless (1) as of the date the Agency enters into the Hedge Agreement, either the Hedge Counterparty or the person or entity executing a Hedge Counterparty Guarantee relating thereto has outstanding unsecured long-term debt obligations rated by, or other applicable rating given by, as high as or higher than the Rating on the Outstanding Bonds; and (2) if the Hedge Agreement relates to Outstanding Bonds, the Trustee receives written confirmation from each Rating Agency that the execution and delivery of the Hedge Agreement by the Agency will not impair the Rating on any Bonds then Outstanding. To secure its obligation to make Agency Hedge Payments to a Hedge Counterparty pursuant to a Hedge Agreement, the Agency may grant to the Hedge Counterparty a subordinate and junior pledge and security interest (subordinate and junior to the pledge and security interest granted to the Bondholders) in all or any of the Revenues, Prepayments, Recovery Payments or any other moneys, securities, Funds or Accounts hereunder; provided, however, that the payment of Agency Hedge Payments shall not be secured by the Debt Service Reserve Fund. Nothing in this Section 205 is intended to prohibit the Agency from securing any payments it is obligated to make in respect of the early termination of a Hedge Agreement by the full faith and credit of the Agency, by amounts to be transferred to the General Reserve Account pursuant to the last sentence of the first paragraph under the heading "Revenue Fund" or by other moneys, assets or revenues of the Agency not pledged to the payment of Outstanding Bonds under the Bond Resolution.

Amendments of the Bond Resolution

Amendments of or supplements to the Bond Resolution may be made by a Supplemental Bond Resolution (a “Supplemental Resolution”).

Supplemental Resolutions may become effective upon filing with the Trustee if they add restrictions on the Agency, add covenants by the Agency, surrender privileges of the Agency, authorize additional Bonds and fix the terms thereof or affect only Bonds not yet issued.

Supplemental Resolutions become effective upon consent of the Trustee if they concern only curing or clarifying an ambiguity, omission, defect or inconsistency, or make any other change which, in the judgment of the Trustee, is not prejudicial to the Trustee and which does not adversely affect the interests of Bondholders. Other Supplemental Resolutions become effective only with consent of the Holders of at least a majority in principal amount and Accreted Value of the Outstanding Bonds affected thereby.

However, no amendment shall permit a change in the terms of redemption or maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or Accreted Value thereof or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentage of the Holders the consent of which is required to effect any such amendment, without unanimous consent of the Bondholders.

Any amendment may be made with unanimous consent of the Bondholders, except that no amendment shall change any of the rights or obligations of any Fiduciary without the consent of the Fiduciary.

Defeasance

If the Agency shall pay or cause to be paid to the Holders of the Bonds, the principal, Accreted Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then, unless there shall be an Officer’s Certificate delivered to the Trustee to the contrary, the pledge of the Revenues, Prepayments, Recovery Payments and other moneys, securities and funds pledged by the Bond Resolution and the covenants, agreements and other obligations of the Agency to the Bondholders thereunder shall be discharged and satisfied.

Bonds and interest thereon for the payment or redemption of which moneys shall have been deposited with the Trustee shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for the giving of notice of redemption thereof. Moneys so held by the Trustee shall be invested by the Trustee, as directed by the Agency, in Investment Obligations which are direct obligations of the United States or guaranteed by the United States. If the maturing principal of such Investment Obligations and the interest to fall due thereon at least equal the amount of money required for the payment on any future date of the interest on and principal of or Redemption Price on such Bonds, the Bonds shall be deemed to have been paid.

Events of Default

Each of the following shall constitute an event of default under the Bond Resolution: (a) interest on any of the Bonds is not paid on any date when due, or the principal, Accreted Value or Redemption Price of any of the Bonds is not paid at maturity or at a Redemption Date at which the Bonds have been called for redemption; (b) Bonds subject to redemption by operation of Sinking Fund Installments shall not have been redeemed and paid in the amount required in the applicable Series Resolution on any date; (c) a default shall be made in the observance or performance of any covenant, contract or other provision in the Bonds, the Bond Resolution, or applicable Series Resolution contained and such default shall continue for a period of ninety (90) days after written notice to the Agency from a Bondholder or from the Trustee specifying such default and requiring the same to be remedied; or (d) certain acts of bankruptcy, insolvency or reorganization by the Agency.

Remedies

Upon the happening and continuance of an event of default, the Trustee may, and shall upon the request of the Holders of twenty-five percent (25%) in principal amount and Accreted Value of the Bonds then Outstanding affected by an event of default described in clause (a) or (b) of “Events of Default” above, or twenty-five percent (25%) in principal amount and Accreted Value of all Bonds then Outstanding if the event of default is one described in clauses (c) or (d) of “Events of Default” above, proceed to protect and enforce the rights of the Bondholders under the laws of the State of Minnesota or under the Bond Resolution. No Bondholder shall have the right to institute any proceedings for any remedy under the Bond Resolution unless the Trustee, after being so requested to institute such proceedings and offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time and unless the proceeding is brought for the ratable benefit of all Holders of all Bonds. However, nothing in the Bond Resolution contained is intended to affect or impair the right of any Bondholder to enforce the payment of the principal or Accreted Value of and interest on his Bonds at the time and place expressed in the Bonds.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

General

The Depository Trust Company, New York, New York (“DTC”), is to act as securities depository for each series of the Series Bonds. The ownership of one fully registered Series Bond for each maturity of the Series Bonds in the aggregate principal amount of that maturity and series will be registered in the name of Cede & Co., DTC’s partnership nominee. *So long as Cede & Co. or another nominee designated by DTC is the registered owner of the Series Bonds, references herein to the Bondholders, Holders or registered owners of Series Bonds will mean Cede & Co. or the other nominee and will not mean the Beneficial Owners (as hereinafter defined) of the Series Bonds.*

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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 and www.dtc.org.

Purchases of beneficial ownership interests in the Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series Bond (the “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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Bonds, except in the event that use of the Book-Entry System for the Series Bonds is discontinued as described below.

To facilitate subsequent transfers, all Series Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series Bonds with DTC and their registration in the name of Cede & Co. or other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series 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. For every transfer and exchange of beneficial ownership in the Series Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series Bonds of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series Bonds of the series to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to any Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the bond issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series Bonds are credited on the Record Date.

Payment of the principal, redemption price, and interest on the Series Bonds will be made to Cede & Co., or another 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 bond issuer or trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participant and not of DTC, the Trustee or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price, and interest to Cede & Co. (or other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee, disbursement of payments to Direct Participants will be the responsibility of DTC, and disbursement of payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Under the Resolutions, payments made by or on behalf of the Agency to DTC or its nominee satisfy the Agency's obligations to the extent of the payments so made.

The above information contained in this section "Book-Entry-Only System" is based solely on information provided by DTC. No representation is made by the Agency or the Underwriter as to the completeness or the accuracy of that information or as to the absence of material adverse changes in that information subsequent to the date hereof.

The Agency, the Underwriter and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series Bonds (i) payments of principal of or interest and premium, if any, on the Series Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Agency, the Underwriter nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Resolutions to be given to Holders of Series Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series Bonds; or (6) any consent given or other action taken by DTC as a Bondholder.

Discontinuation of Book-Entry System

DTC may discontinue its book-entry services with respect to one or both series of the Series Bonds at any time by giving notice to the Agency and discharging its responsibilities with respect thereto under applicable law. Under those circumstances, the Series Bonds of that series are required to be delivered as described in the Resolutions. The Beneficial Owner, upon registration of Series Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Agency may determine to discontinue the system of book entry transfers through DTC (or a successor securities depository) for one or both series of the Series Bonds. In that event, the Series Bonds of that series are to be delivered as described in the Resolutions.

APPENDIX F
FORM OF OPINION OF BOND COUNSEL

_____, 2024

Minnesota Housing Finance Agency
St. Paul, Minnesota 55102

Minnesota Housing Finance Agency
Rental Housing Bonds
2024 Series B-1
2024 Series B-2

Ladies and Gentlemen:

We have acted as bond counsel to the Minnesota Housing Finance Agency (the “Agency”) in connection with the authorization, issuance and delivery by the Agency of its Rental Housing Bonds, 2024 Series B-1, in the aggregate principal amount of \$_____ (the “2024 Series B-1 Bonds”) and its Rental Housing Bonds, 2024 Series B-2, in the aggregate principal amount of \$_____ (the “2024 Series B-2 Bonds” and, together with the 2024 Series B-1 Bonds, the “2024 Series B Bonds”), each series of which are issuable only as fully registered bonds of single maturities in denominations of \$5,000 or any integral multiple thereof.

The 2024 Series B Bonds are dated, mature on the dates, bear interest at the rates and are payable as provided in the Series Resolution referenced below. The 2024 Series B Bonds are subject to optional, mandatory and special redemption prior to maturity, including special redemption at par, as provided in the Series Resolution referenced below.

As bond counsel, we have examined certified copies of resolutions and proceedings of the Agency and other documents we considered necessary as the basis for this opinion, including the Agency’s Bond Resolution adopted February 25, 1988, as amended and supplemented (the “Bond Resolution”), and the Series Resolution relating to the 2024 Series B Bonds adopted _____, 2024 (the “Series Resolution”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

From such examination, and assuming continuing compliance by the Agency and the owner of the Development financed by the 2024 Series B Bonds with the covenants contained in the Bond Resolution, the Series Resolution and the loan documentation relating to the Development, it is our opinion that, under existing law as of the date hereof: (1) the Agency is a public body corporate and politic, having no taxing power, duly organized and existing under Minnesota Statutes, Chapter 462A, as amended; (2) the Bond Resolution and Series Resolution have been duly and validly adopted by the Agency and are valid and binding upon it in accordance with their terms, and create the valid pledge and security interest they purport to create with respect to the Mortgage Loans, Revenues, moneys, securities and other Funds held and to be set aside under the Bond Resolution and Series Resolution; (3) the 2024 Series B Bonds are duly and lawfully authorized to be issued and are valid and binding general obligations of the Agency in accordance with their terms, entitled to the benefits granted by and secured by the covenants contained in the Bond Resolution and Series Resolution, and are payable out of any of its moneys, assets or revenues, subject to the provisions of other resolutions or indentures now or hereafter pledging and appropriating particular moneys, assets, or revenues to other bonds or notes, and federal or state laws heretofore enacted appropriating particular funds for a specified purpose, but the State of Minnesota is not liable thereon and the 2024 Series B Bonds are not a debt of the

Minnesota Housing Finance Agency
_____, 2024
Page 2

State; (4) in the Bond Resolution the Agency has created a Debt Service Reserve Fund for the security of the 2024 Series B Bonds and other bonds issued or to be issued under the Bond Resolution, to be maintained in an amount specified therein, and has agreed to certify annually to the Governor the sum, if any, necessary to restore the Fund to this amount for inclusion in the next budget submitted to the Legislature, and the Legislature is legally authorized, but is not legally obligated, to appropriate such amount to such Debt Service Reserve Fund; and (5) the interest payable on the 2024 Series B Bonds is not includable in gross income of owners thereof for federal income tax purposes or in taxable net income of individuals, trusts and estates for State of Minnesota income tax purposes, but such interest is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; provided, however, interest on any 2024 Series B Bond is not excluded from gross income for federal income tax purposes of any holder of such bonds who is a “substantial user” of a development financed by such 2024 Series B Bond or a “related person” thereto, as such terms are defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest on the 2024 Series B Bonds will not be treated as an item of tax preference in calculating the alternative minimum tax imposed under the Code with respect to individuals; however, interest on the 2024 Series B Bonds is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on such corporations. Interest on the 2024 Series B Bonds will not be treated as an item of tax preference for purposes of calculating the Minnesota alternative minimum tax imposed on individuals, trusts and estates. We express no opinion regarding other federal, state or local tax consequences arising from the ownership or disposition of the 2024 Series B Bonds. All owners of 2024 Series B Bonds (including, but not limited to, insurance companies, financial institutions, Subchapter S corporations, United States branches of foreign corporations, applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations and recipients of social security and railroad retirement benefits) should consult their tax advisors concerning other possible indirect tax consequences of owning and disposing of the 2024 Series B Bonds.

Noncompliance by the Agency or the owner of the Development financed by the 2024 Series B Bonds with their covenants in the Bond Resolution, Series Resolution or applicable loan documentation relating to the Development may result in inclusion of interest in federal gross income and Minnesota taxable net income retroactive to the date of issuance of the 2024 Series B Bonds.

The opinions expressed above are qualified only to the extent that the enforceability of the 2024 Series B Bonds, the Bond Resolution and the Series Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully yours,

RESOLUTION NO. MHFA 24-015

RESOLUTION RELATING TO RENTAL HOUSING BONDS; AUTHORIZING THE
ISSUANCE AND SALE THEREOF FOR A MULTIFAMILY HOUSING DEVELOPMENT IN
MANKATO, MINNESOTA

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

Section 1. Background and Recitals. By Resolution No. MHFA 88-12, adopted February 25, 1988, as heretofore amended and supplemented (as so amended and supplemented and as from time to time hereafter amended or supplemented in accordance with its terms, the “Bond Resolution”), the Agency has provided the terms and conditions for the issuance and the covenants and agreements for the security of its Rental Housing Bonds to be issued for the purposes of its Program of making or purchasing Mortgage Loans to finance the acquisition, construction, rehabilitation and betterment of rental housing intended for occupancy primarily by persons of low and moderate income. It is now determined to be necessary and desirable to provide for the issuance of one or more series of Bonds pursuant to the Bond Resolution and Minnesota Statutes, Chapter 462A, as amended, to be used to finance one or more Mortgage Loans (together, the “Mortgage Loans”) to a Mortgagor (the “Mortgagor”) for the purposes of financing the acquisition and rehabilitation of the multifamily housing development (the “Development”) described in Exhibit A hereto (which is hereby incorporated herein and made a part hereof). All terms defined in the Bond Resolution are used with like meaning in this resolution. This resolution is referred to herein as the “Series Resolution.” The Mortgage Loans to the Mortgagor shall be evidenced by one or more Mortgage Notes to be executed by the Mortgagor to the Agency and one or more Mortgages to be entered into between the Mortgagor and the Agency and certain other documents referred to in the Mortgages (collectively, the “Loan Documents”).

Section 2. Authorization of Series Bonds.

(a) *Purpose.* To provide sufficient funds to be used and expended for the purposes set forth in Section 1, it is now determined to be necessary to issue two series of Bonds pursuant to the Bond Resolution, which are designated as “Rental Housing Bonds, 2024 Series B-1,” and “Rental Housing Bonds, 2024 Series B-2,” in the aggregate principal amount to be determined pursuant to Section 2(E) (individually, the “Series 1 Bonds” and the “Series 2 Bonds” and collectively, the “Series Bonds”). The “2024” in the designation of the Bonds may be changed to “2025” and the “B” in the designation of the Bonds may be changed to “A” or such other uppercase letter, each as an Authorized Officer of the Agency (as hereinafter defined) shall so designate. Proceeds of the Series Bonds are to be used:

- (i) For the financing of the Mortgage Loans to the Mortgagor; and
- (ii) Incident to this purpose, for the funding of the deposit of amounts determined by and pursuant to Section 303 of the Bond Resolution to be paid into the Funds and Accounts referred to in Sections 302 and 402 thereof.

(b) *Single Issue.* Pursuant to the provisions of Section 1.150-1(c)(1) of the Income Tax Regulations (the “Regulations”), the Agency may treat the Series Bonds, together with any other Bonds issued or to be issued pursuant to the Bond Resolution which may be sold by the Agency less than fifteen days apart from the date of sale of the Series Bonds, as a single issue of bonds. The Series Bonds and such other Bonds are herein collectively referred to as the “Issue.”

(c) *Pledge.* The pledge made and security interests granted in the Bond Resolution and all covenants and agreements made by the Agency therein, are made and granted for the equal benefit, protection and security of the Holders of all of the Series Bonds and other Outstanding Bonds issued and to be issued thereunder, without preference, priority or distinction of one Bond over any other of any Series, except as otherwise expressly provided for therein.

(d) *Debt Service Reserve Requirements.* Upon issuance of the Series Bonds, the Debt Service Reserve Requirement for the Series Bonds shall be as established in the Officer’s Certificate delivered by an Authorized Officer to the Trustee pursuant to Sections 5 and 6 of this Series Resolution.

(e) *Sale and Offering Documents.* The Agency hereby authorizes the issuance and sale of the Series Bonds for the purposes described in Section 2(a). It is acknowledged that the final terms of the Series Bonds have not been determined as of this date.

The Series Bonds may be offered for sale by negotiating for the sale of the Series Bonds to RBC Capital Markets, LLC, as underwriter (the “Underwriter”) pursuant to a preliminary official statement and a bond purchase agreement.

The Agency has received and examined a draft of the form of a Preliminary Official Statement (the “Preliminary Official Statement”), containing information relating to the Agency, the Bond Resolution, the Series Resolution, the Development, and the Series Bonds. Any of the Chair, the Commissioner, the Chief Financial Officer, or the Finance Director (each an “Authorized Officer”) is hereby authorized to finalize the Preliminary Official Statement and establish the date of sale of the Series Bonds.

Any Authorized Officer is hereby authorized to approve the final terms of the Series Bonds as follows, subject to the following parameters:

(i) the principal amount of the Series Bonds; provided that the aggregate principal amount of the Series Bonds is not in excess of \$10,550,000;

(ii) the maturity schedule of the Series Bonds; provided that the Series 1 Bonds mature at any time or times in such amount or amounts not later than 42 years from the Issue Date thereof and the Series 2 Bonds mature at any time or times in such amount or amounts not later than 3 years from the Issue Date thereof;

(iii) the interest rates borne by the Series Bonds; provided that the interest rate on the Series 1 Bonds shall not exceed 7.00% and the interest rate on the Series 2 Bonds shall not exceed 6.00%; and

(iv) the commission payable to the Underwriter of the Series Bonds; provided that the commission shall not exceed three percent of the aggregate principal amount of the Series Bonds.

Such approval shall be conclusively evidenced by the execution of a bond purchase agreement with the Underwriter (the “Purchaser”) by such Authorized Officer. The terms of the Series Bonds, including any mandatory sinking fund provisions and the purchase price, shall be set forth in the Officer’s Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof.

Following a negotiated sale of the Series Bonds to the Underwriter, preparation and distribution of an Official Statement, substantially in the form of the Preliminary Official Statement, except for revisions required or approved by counsel for the Agency, and insertion of the final terms of such Series Bonds, is approved and the final Official Statement is authorized to be signed by the Chair or the Commissioner, and furnished to the Underwriter in a reasonable quantity for distribution to investors.

The Agency has received and examined a draft of the form of the bond purchase agreement (the “Bond Purchase Agreement”). An Authorized Officer is authorized to execute and deliver in the name and on behalf of the Agency the Bond Purchase Agreement with the Purchaser reflecting the terms of sale authorized pursuant to this Section 2(e).

(f) *Approval of Continuing Disclosure Undertaking.* The Agency has also examined the form of a Continuing Disclosure Undertaking relating to the Series Bonds, wherein the Agency will covenant for the benefit of the beneficial owners of the Series Bonds to provide annually certain financial information and operating data relating to the Agency and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Undertaking is approved substantially in the form submitted and is authorized to be signed on behalf of the Agency by an Authorized Officer.

Section 3. Forms.

(a) *Generally.* The Series Bonds shall be issuable only in the form of fully registered Bonds, subject to transfer, re-registration and exchange as provided in Article VI of the Bond Resolution. The Series Bonds shall be numbered serially and no Series Bonds, whether issued initially or upon re-registration, transfer or exchange, shall bear the same number as any other Series Bond of the same series which is contemporaneously outstanding.

(b) *Form of Series Bonds.* The Series Bonds shall be in substantially the form of Exhibit B and C hereto (which are hereby incorporated herein and made a part hereof), with such additions, deletions or modifications as are permitted or required by the Bond Resolution or this Series Resolution, including but not limited to changes required as a result of the sale of the Series 1 Bonds or Series 2 Bonds in accordance with Section 2(e) and the spacing and rearrangement of the text to facilitate machine entry of data upon registration, transfer and exchange.

Section 4. Terms of Series Bonds.

(a) *Issue Date, Denominations, and Interest Payment Dates.* The Issue Date of the Series Bonds of each series shall be the date of original delivery of the Series Bonds or such other date as shall be approved by an Authorized Officer and as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof. The Series Bonds shall be issued in denominations of \$5,000 principal amount or any integral multiple thereof, not exceeding the principal amount maturing on any maturity date. Interest on the Series Bonds shall be payable each February 1 and August 1, commencing August 1, 2024, or a subsequent August 1 or February 1 as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be.

(b) *Maturities, Interest Rates and Redemption.* The Series Bonds shall mature on the date or dates and in the principal amounts, shall bear interest at the rate or rates per annum, and shall be subject to redemption as set forth in the Official Statement of the Agency furnished to the Underwriter pursuant to Section 2(e) of this Series Resolution or in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) hereof, as the case may be, all subject to the limitations in Section 2(e).

(c) *Procedure for Redemption.* All actions taken by the Agency and the Trustee in the redemption of Series Bonds shall conform to the provisions of Article VII of the Bond Resolution, save and except as otherwise expressly provided in this paragraph. Upon selection of a Series Bond or Bonds or portions thereof to be redeemed, the Trustee shall give notice, in the name of the Agency, of the redemption of such Bonds, which notice shall contain the information required by Section 702 of the Bond Resolution. The Trustee shall mail such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered Holder of any Series Bond all or a portion of which is to be redeemed, at the Holder's last address appearing on the registry books as of the Record Date. Notice having been so mailed, the Series Bond or Bonds or portion thereof therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

(d) *Trustee.* The principal amount of and interest and any redemption premium on the Series Bonds shall be payable in lawful money of the United States by check drawn to the order of the registered owner, or other agreed means of payment, by Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee and Paying Agent under the Bond Resolution, or its successor, and shall be payable to the registered owner as shown on the registry books as of the Record Date. The principal amount of and any redemption premium on a Series Bond shall be payable only upon surrender of the Series Bond at the Principal Office of the Trustee (subject to the provisions of Section 607 of the Bond Resolution in the case of Bonds which are mutilated, destroyed, stolen, or lost), except as otherwise provided in Section 5(b) herein.

(e) *Record Date.* For purposes of this Series Resolution, where the Trustee is required to establish a Record Date hereunder, said Record Date for (i) payment of principal of and interest on the Series Bonds shall be the fifteenth (15th) day (whether or not a business day) of the month immediately preceding the payment date and (ii) for purposes of giving notice of redemption or other notice pursuant to the provisions of the Bond Resolution or Series Resolution, the last business day of the month preceding the month in which such notice is mailed.

Section 5. Issuance and Delivery.

(a) *Preparation and Execution.* The Series Bonds of each series shall be prepared in substantially the form incorporated herein, in denominations requested by the Purchaser, and shall be executed in the manner provided in Article VI of the Bond Resolution, by the facsimile signatures of the Chair and Commissioner of the Agency and shall be authenticated by the Trustee by manual signature of an authorized representative and shall be delivered to the Purchaser after compliance with the conditions set forth in this Section and upon deposit of the proceeds with the Trustee.

(b) *Securities Depository.*

(i) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Series Bond, the person in whose name such Series Bond is recorded as the beneficial owner of such Series Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series Bonds.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Series Bonds as securities depository.

(ii) The Series 1 Bonds and Series 2 Bonds shall be initially issued as separately authenticated fully registered bonds, and one Series 1 Bond and one Series 2 Bond shall be issued in the principal amount of each stated maturity of the Series 1 Bonds and the Series 2 Bonds. Upon initial issuance, the ownership of the Series Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Trustee and the Agency may treat DTC (or its nominee) as the sole and exclusive owner of the Series Bonds registered in its name for the purposes of payment of the principal of, premium, if any, and interest on the Series Bonds, selecting the Series Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Series Bonds under the Bond Resolution or this Series Resolution, registering the transfer of Series Bonds, and for all other purposes whatsoever, and neither the Trustee nor the Agency shall be affected by any notice to the contrary. Neither the Trustee nor the Agency shall have any responsibility or obligation to any Participant, any

person or entity claiming a beneficial ownership interest in the Series Bonds under or through DTC or any Participant, or any other person or entity which is not shown on the bond register as being a registered owner of any Series Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of, premium, if any, and interest on the Series Bonds, with respect to any notice which is permitted or required to be given to owners of Series Bonds under the Bond Resolution or this Series Resolution, with respect to the selection by DTC or any Participant of any person or entity to receive payment in the event of a partial redemption of the Series Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Series Bonds. So long as any Series Bond is registered in the name of Cede & Co., as nominee of DTC, the Trustee shall pay all principal of, premium, if any, and interest on such Series Bond, and shall give all notices with respect to such Series Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal of, premium, if any, and interest on the Series Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Series Bonds will be transferable to such new nominee in accordance with subsection (4) hereof.

(iii) In the event the Agency determines to discontinue the book-entry-only system through DTC with respect to either or both of the Series 1 Bonds and the Series 2 Bonds, the Agency may notify DTC and the Trustee, whereupon DTC shall notify the Participants of the availability through DTC of the Series 1 Bonds and/or the Series 2 Bonds, as applicable, in the form of certificates. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof. DTC may determine to discontinue providing its services with respect to either one or both of the Series 1 Bonds and the Series 2 Bonds at any time by giving notice to the Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Series 1 Bonds and/or the Series 2 Bonds, as applicable, will be transferable in accordance with subsection (iv) hereof.

(iv) In the event that any transfer or exchange of Series 1 Bonds and Series 2 Bonds is permitted under subsection (ii) or (iii) hereof, such transfer or exchange shall be accomplished upon receipt by the Trustee of the Series 1 Bonds and the Series 2 Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of the Bond Resolution and this Series Resolution. In the event the Series 1 Bonds and/or the Series 2 Bonds in the form of certificates are issued to registered owners other than Cede & Co., its successor as nominee for DTC as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, or another securities depository as registered owner of all the Series 1 Bonds and/or the Series 2 Bonds, the provisions of the Bond Resolution and this Series Resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Series 1 Bonds and/or

Series 2 Bonds in the form of bond certificates and the method of payment of principal of, redemption premium, if any, and interest on such Series 1 Bonds and/or Series 2 Bonds.

(c) *Opinion and Officer's Certification.* The Trustee has been furnished a copy of the Bond Resolution. Before delivery of the Series Bonds, the Agency shall furnish to the Trustee a certified copy of this Series Resolution, together with an Opinion of Counsel to the Agency and an Officer's Certificate executed by an Authorized Officer, in form and substance as required in Section 203 of the Bond Resolution and Sections 2(e), 4(a), 4(b) and 6 of this Series Resolution, and shall obtain from the Trustee the certification required in Section 203(C) of the Bond Resolution.

Section 6. Application of Proceeds; Funds and Accounts. Proceeds of the Series Bonds, and funds of the Agency, if required, shall be deposited to accounts in the Debt Service Reserve Fund and the Bond Fund relating to such Series Bonds, and to the Cost of Issuance Account and Project Account relating to such Series Bonds, or used to reimburse the Agency for funds it advances pursuant to Section 11, all as set forth in the Officer's Certificate delivered by an Authorized Officer pursuant to Section 5(c) of this Series Resolution.

Section 7. General Tax Covenant. The Agency will not take, or permit or cause to be taken, any action that would adversely affect the exclusion from federal gross income of the interest on any Series Bonds, nor otherwise omit to take or cause to be taken any action necessary to maintain such exclusion from gross income and, if it should take or permit, or omit to take or cause to be taken, as appropriate, any such action, the Agency shall take all lawful actions necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof.

Section 8. Specific Tax Covenants relating to the Development. In fulfillment of the general covenant set forth in Section 7, the Agency represents as follows:

(a) The Development financed will be acquired and rehabilitated for the purpose of providing multifamily residential rental property and will constitute a "qualified residential rental project," as such phrase is used in Sections 142(a)(7) and 142(d) of the Code.

(b) At least forty percent (40%) of the completed units in the Development shall be occupied (or treated as occupied) by Qualifying Tenants. "Qualifying Tenants" shall mean those persons and families (treating all occupants of a unit as a single family) who shall be determined from time to time by the Mortgagor to be eligible as "individuals whose income is sixty percent (60%) or less of area median gross income" within the meaning of Section 142(d)(2)(B) of the Code. The term of the foregoing restrictions shall commence on the date of issuance of the Series Bonds and shall end on the latest of the following: (i) the date which is 15 years after the date on which at least 50% of the units in the Development were first occupied; or (ii) the first day on which none of the Series Bonds are Outstanding; or (iii) the termination date of any Housing Assistance Payments Contract relating to the Development under Section 8 of the United States Housing Act of 1937, including the initial term and any renewal thereof.

(c) Each unit in the Development will be rented or available for rental to members of the general public on a continuous basis for the longer of (i) the period during which any of the Series Bonds remain Outstanding or (ii) the term of the restrictions set forth in subsection (a) of this Section 8.

(d) At no time will either the Mortgagor or any related party be permitted to occupy a unit in the Development other than units occupied or to be occupied by agents, employees or representatives of the Mortgagor and reasonably required for the proper maintenance or management of the Development. In the event a unit within the Development is occupied by the Mortgagor, the Development will include no fewer than four units not occupied by the Mortgagor.

(e) The Development consists of a single “development” and, for this purpose, proximate buildings or structures are part of the same development only if owned for federal income tax purposes by the same person or entity and if the buildings are financed pursuant to a common plan; buildings or structures are proximate if they are all located on a single parcel of land or several parcels of land which are contiguous except for the interposition of a road, street, stream or similar property.

(f) None of the units in the Development will at any time be utilized on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium or rest home.

(g) The Mortgagor shall not restrict Qualifying Tenants (as defined in the Loan Documents) from the enjoyment of unrestricted access to all common facilities and common areas of the Development.

(h) The Mortgagor shall not discriminate on the basis of race, creed, color, sex, or national origin in the lease, use or occupancy of the Development or in connection with the employment or application for employment of persons for the operation and management of the Development.

(i) No portion of the Development is presently used for purposes other than residential rental purposes and the Agency will not permit any other use unless it first obtains an opinion of bond counsel that such use will not impair the exclusion from federal gross income for interest payable on the Series Bonds.

Section 9. Additional Federal Tax Covenants Relating to the Development Financed and the Series Bonds. In furtherance of the general tax covenant made in Section 7 above, the Agency further represents as follows:

(a) All proceeds of the Series Bonds lent to the Mortgagor will be used to finance costs properly chargeable to the capital account of the Development within the meaning of Section 142(d) and functionally related and subordinate property thereto.

(b) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling or liquor store.

(c) No portion of the proceeds of the Series Bonds lent to the Mortgagor will be used to acquire (i) property to be leased to the government of the United States of America or to any department, agency or instrumentality of the government of the United States of America, or (ii) any property not part of the Development.

(d) No portion of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land (or an interest therein) to be used for farming purposes, and less than twenty-five percent (25%) of the proceeds of the Series Bonds lent to the Mortgagor shall be used for the acquisition of land to be used for purposes other than farming purposes.

(e) The Mortgagor will incur “rehabilitation expenditures” (as defined in Section 147(d)(3) of the Code) with respect to a portion of the Development in an amount not less than 15% of the acquisition cost of such portion of the Development funded with the net proceeds of the Series Bonds lent to the Mortgagor within the later of two years from (i) the date the Development is acquired by the Mortgagor or (ii) the date the Series Bonds are issued.

(f) The average reasonably expected economic life of the Development within the meaning of Section 147(b) of the Code is not less than 25 years.

(g) In order to qualify the Mortgage Notes and Mortgages received from the Mortgagor as “program investments” within the meaning of Section 1.148-1(b) of the Treasury Regulations, the Agency will not permit the Mortgagor (or any “related person” thereto within the meaning of Section 147(a) of the Code) to take any action the effect of which would be to disqualify the Mortgage Notes and Mortgages as part of a “program” under said Section 1.148-1(b), including, but not limited to, entering into any arrangement, formal or informal, with the Mortgagor or any related party to purchase bonds or notes of the Agency in an amount related to the amount of the Mortgage Notes and Mortgages.

(h) In accordance with the requirements of Section 147(f) of the Code, the Agency has held a public hearing on the issuance of the Series Bonds after published notice as required by the Regulations and will obtain the approval of the Governor of the State for the issuance of the Series Bonds.

(i) Not more than 2% of the proceeds of the Series Bonds will be applied to the payment of Costs of Issuance, and all Costs of Issuance in excess of that amount, if any, will be paid by the Agency from funds other than proceeds of the Series Bonds.

(j) No obligations the interest on which is excludable from gross income for federal income tax purposes have been or will be issued which were sold at substantially the same time as the Issue, sold pursuant to the same plan of financing as the Issue and which are reasonably expected to be paid from substantially the same source of funds as the Issue.

(k) The Series Bonds will not be hedge bonds since the Agency reasonably expects to use at least 85% of the spendable proceeds of the Issue to make or purchase Mortgage Loans within three years after the date of issue of the Issue and not more than

50% of the proceeds of the Issue will be invested in nonpurpose investments having a substantially guaranteed yield for four years or more.

(l) The Series Bonds shall be counted against the unused volume cap of the Agency under the provisions of Section 146 of the Code and applicable state law carried forward from calendar year 2023. The Agency has unused volume cap in excess of the amount of the Series Bonds and shall take all necessary action to allocate the required portion of its unused volume cap to the Series Bonds.

(m) None of the proceeds of the Series Bonds will be used by the Agency to reimburse itself or a Mortgagor for any expenditure with respect to the Development which the Agency or the Mortgagor paid or will have paid more than 60 days prior to the issuance of the Series Bonds unless, with respect to such prior expenditures, the Agency shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Development meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Development as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series Bonds.

Section 10. Arbitrage. The Agency covenants that it will not use the proceeds of the Series Bonds in such a manner as to cause the Series Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Agency will take all actions as may be prescribed in the future by regulations or rulings of the Internal Revenue Service to assure that the Series Bonds will meet the requirements of Section 148 of the Code relating to arbitrage, to-wit:

(a) The effective rate of interest on the Mortgage Loans purchased in whole or in part from the proceeds of the Series Bonds may not exceed the yield on the Issue, computed in accordance with Section 148 of the Code, by more than one and one-half percentage points.

(b) The Agency acknowledges that the Series Bonds are subject to the rebate requirements of Section 148(f) of the Code and applicable Regulations. The Agency agrees that it will retain such records, make such determinations, file such reports and documents and pay such amounts at such times as required under Section 148(f) of the Code and applicable Regulations to preserve the exclusion of interest on the Series Bonds from gross income for federal income tax purposes.

Section 11. Advance of Agency Funds. If the Mortgage Loans must be made before proceeds of the Series Bonds are available therefor, Agency funds legally available therefor shall be advanced by the Agency to fund the Mortgage Loans in anticipation of the issuance of the Series Bonds, and proceeds of the Series Bonds shall be used, to the extent required, to reimburse the Agency funds or accounts from which such advance was made.

Section 12. Discretion of Authorized Officer. Notwithstanding anything contained in the foregoing sections of this Series Resolution, if an Authorized Officer, upon consultation with the Chair and upon the advice of bond counsel or counsel to the Agency, determines that it is not in the best interests of the Agency to issue and sell the Series Bonds or any portion thereof (subject to any applicable provisions of any bond purchase agreement theretofore executed or the terms and conditions of the public sale of the Series Bonds following the award thereof), then such Series Bonds shall not be issued or sold in accordance with this Series Resolution.

[Remainder of page intentionally left blank]

Adopted by the Minnesota Housing Finance
Agency this 22nd day of February, 2024.

By: _____
Chair

Attest: _____
Commissioner

[Signature page to Resolution No. MHFA 24-015]

EXHIBIT A

DESCRIPTION OF MORTGAGOR AND DEVELOPMENT

<u>Mortgagor</u>	<u>Name</u>	<u>Location</u>	<u>Number of Units</u>
Trellis Walnut Towers Development LLC	Walnut Towers	Mankato, MN	86

EXHIBIT B
FORM OF 2024 SERIES B-1 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [B]-1

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
-----------------------------	------------------------	--------------------------------------	---------------------

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing August 1, 2024, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series B-1 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series B-1 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series B-1 Bond is not a debt of the State.

This Series B-1 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [B]-1, issued in the original aggregate principal amount of \$_____ (the “Series Bonds”), to provide funds needed to finance the acquisition and rehabilitation of a multifamily

housing development in Mankato, Minnesota (the “Development”). The Series B-1 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-015, adopted February 22, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series B-1 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series B-1 Bonds, and the terms upon which the Bonds, including the Series B-1 Bonds, are issued, delivered and secured. The Series B-1 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series B-2.

The Series B-1 Bonds are issuable only in fully registered form. The Series B-1 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

[The Series B-1 Bonds maturing on [_____], are required to be redeemed (unless previously purchased or redeemed) by the application of sinking fund installments on the dates and in the amounts specified pursuant to the Series Resolution, at a redemption price equal to the principal amount thereof plus accrued interest, without premium.]

The Series B-1 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series B-1 Bonds are not sufficient to redeem all Outstanding Series B-1 Bonds, the Agency may apply other funds to the special redemption of the Series B-1 Bonds in addition to the allocable amount of Recovery Payments.

The Series B-1 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [_____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

[Upon redemption of any of the Series B-1 Bonds, the years in which and the amounts by which the sinking fund installments are to be reduced will be determined by the Agency in such manner that the aggregate reductions of sinking fund installments shall equal the aggregate principal amount of Series B-1 Bonds redeemed.] Upon any redemption of the Series B-1 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series B-1 Bonds, a new Series B-1 Bond or Series B-1 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series B-1 Bonds will be mailed to the registered Holders of the Series B-1 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series B-1 Bonds to be redeemed,

(iii) that on the redemption date the redemption price of the Series B-1 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series B-1 Bonds not affected by such failure or defect. Notice having been so mailed, the Series B-1 Bonds or portions of Series B-1 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series B-1 Bonds or portions thereof shall no longer be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series B-1 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for

the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series B-1 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series B-1 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series B-1 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series B-1 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series B-1 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series B-1 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series B-1 Bond, so long as this Series B-1 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series B-1 Bond, and shall give all notices with respect to this Series B-1 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee's Certificate hereon has been manually executed by or on behalf of the Trustee, this Series B-1 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series B-1 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series B-1 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee's Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:

EXHIBIT C
FORM OF 2024 SERIES B-2 BONDS

No. _____ \$ _____

UNITED STATES OF AMERICA - STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

RENTAL HOUSING BOND
[2024] SERIES [B]-2

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
-----------------------------	------------------------	--------------------------------------	---------------------

The Minnesota Housing Finance Agency, a public body corporate and politic organized and existing under the provisions of Minnesota Statutes, Chapter 462A, as amended, for value received promises to pay to

CEDE & CO.

or registered assigns, the principal sum of _____ DOLLARS

on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above (computed on the basis of a 360-day year composed of twelve 30-day months), payable on February 1 and August 1 in each year, commencing August 1, 2024, until said principal amount is paid, subject to the provisions referred to herein with respect to the redemption of principal before maturity. The interest hereon and, upon presentation and surrender hereof, the principal and any redemption premium with respect to this Series B-2 Bond are payable in lawful money of the United States of America by check or draft, or other agreed means of payment, to the order of the registered owner hereof as shown on the registry books of the Trustee as of the Record Date by Computershare Trust Company, National Association, in St. Paul, Minnesota, successor Trustee under the Bond Resolution referred to below, or its successor. For the prompt and full payment thereof when due the full faith and credit of the Agency are irrevocably pledged. This Series B-2 Bond is a general obligation of the Agency, payable out of any of its moneys, assets or revenues, subject to the provisions of resolutions or indentures now or hereafter pledging particular moneys, assets or revenues to particular notes or bonds, and state laws heretofore or hereafter enacted appropriating particular funds for a specified purpose. The Agency has no taxing power. The State of Minnesota is not liable hereon, and this Series B-2 Bond is not a debt of the State.

This Series B-2 Bond is one of a duly authorized series of Rental Housing Bonds, [2024] Series [B]-2, issued in the original aggregate principal amount of \$_____ (the "Series Bonds"), to provide funds needed to finance the acquisition and rehabilitation of a multifamily

housing development in Mankato, Minnesota (the “Development”). The Series B-2 Bonds are issued under and pursuant to the Agency’s Bond Resolution, No. MHFA 88-12, dated February 25, 1988, as amended and supplemented, and its Series Resolution, No. MHFA 24-015, adopted February 22, 2024, to which resolutions, including all supplemental resolutions adopted pursuant to the provisions thereof, reference is made for a description of the revenues, money, securities, funds and accounts pledged to the Trustee for the security of the Holders of the Bonds, including the Series B-2 Bonds, the respective rights thereunder of the Agency, the Trustee and other fiduciaries and the Holders of the Bonds, including the Series B-2 Bonds, and the terms upon which the Bonds, including the Series B-2 Bonds, are issued, delivered and secured. The Series B-2 Bonds are issued contemporaneously with the Agency’s Rental Housing Bonds, 2024 Series B-1.

The Series B-2 Bonds are issuable only in fully registered form. The Series B-2 Bonds are issued in denominations of \$5,000 principal amount or integral multiples thereof not exceeding the principal amount maturing in any year.

The Series B-2 Bonds are subject to special redemption at the option of the Agency, in whole or in part, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, (i) from unexpended proceeds of the Series Bonds not used to finance the Development, together with allocable amounts on deposit in the Debt Service Reserve Fund, if any; or (ii) from Recovery Payments (as defined in Section 103 of the Bond Resolution) relating to the Development allocable to the Series Bonds. If said Recovery Payments allocable to the Series B-2 Bonds are not sufficient to redeem all Outstanding Series B-2 Bonds, the Agency may apply other funds to the special redemption of the Series B-2 Bonds in addition to the allocable amount of Recovery Payments.

The Series B-2 Bonds are subject to redemption at the option of the Agency, in whole or in part, on any date on or after [____], at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, without premium.

Upon any redemption of the Series B-2 Bonds or portions thereof, the Trustee will select them in a manner specified by the Agency. Upon partial redemption of the Series B-2 Bonds, a new Series B-2 Bond or Series B-2 Bonds will be delivered to the Holder without charge, representing the remaining principal amount outstanding.

Notice of any redemption of Series B-2 Bonds will be mailed to the registered Holders of the Series B-2 Bonds (or portions thereof) to be redeemed, at their last addresses on the registry books as of the Record Date, not less than thirty (30) days before the redemption date, stating (i) the principal amount to be redeemed, (ii) the maturities of the Series B-2 Bonds to be redeemed, (iii) that on the redemption date the redemption price of the Series B-2 Bonds or portions thereof to be redeemed will be payable, with accrued interest, and (iv) that thereafter interest will cease to accrue or be payable thereon. No failure to give such notice or defect in the notice shall affect the validity of the proceedings for the redemption of Series B-2 Bonds not affected by such failure or defect. Notice having been so mailed, the Series B-2 Bonds or portions of Series B-2 Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the Trustee so as to be available therefor, interest thereon shall cease to accrue, and such Series B-2 Bonds or portions thereof shall no longer

be considered Outstanding under the Bond Resolution.

The Agency has issued Bonds and the Bond Resolution also authorizes additional Series of Bonds to be issued and secured by the pledge made and security interest granted therein, all of which, regardless of the times of issue or maturity, will be of equal rank with Outstanding Bonds without preference, priority or distinction of any Bond of any series over any other except as expressly provided or permitted in the Bond Resolution, subject to conditions specified in the Bond Resolution, including conditions (a) that after each such issuance there will be scheduled payments of principal and interest on Mortgage Loans then held by the Agency or to be made or purchased by the Agency from the proceeds of such Series of Bonds (or from the proceeds of notes paid or to be paid from the proceeds of the Bonds) which, with any other legally enforceable payments with respect to such Mortgage Loans, and with interest or other income estimated by the Agency to be derived from the investment or deposit of money available therefor in all funds and accounts created by the Bond Resolution, will be sufficient to pay the principal installments of and interest on the Bonds then Outstanding and the additional Series of Bonds; and (b) that the balance in the Debt Service Reserve Fund immediately prior to the issuance of such Bonds is not less than the Debt Service Reserve Requirement computed with reference to the Outstanding Bonds (except Outstanding Bonds which are to be refunded by such additional Bonds) and shall be increased, if necessary, by the deposit of Bond proceeds or other funds to the Debt Service Reserve Requirement effective after the issuance of the Bonds, as computed by the Trustee.

The Bond Resolution permits, with certain exceptions, the modification or amendment thereof and of the rights and obligations of the Agency and of the Holders of the Bonds thereunder, by a supplemental bond resolution adopted with the written consent, filed with the Trustee, of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time the consent is given. Any such resolution shall be binding upon the Agency and all fiduciaries and Holders of Bonds at the expiration of thirty days after filing with the Trustee of proof of mailing of notice that the required consent has been given. Supplemental resolutions may also be adopted, effective immediately, for the purpose of adding restrictions on or covenants by or surrendering privileges of the Agency, authorizing additional Bonds, or making provisions affecting only Bonds not yet issued, and may also be adopted, effective upon consent of the Trustee, for the purpose of curing or correcting an ambiguity, omission, defect or inconsistency, or inserting provisions not inconsistent with the Bond Resolution, clarifying matters or questions arising under it. Every Holder hereof is deemed by purchase and retention of this Series B-2 Bond to consent to be bound by every supplemental resolution and every modification and amendment adopted in accordance with the provisions of the Bond Resolution, whether or not noted or endorsed hereon or incorporated herein.

No Holder of any Bond may institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Bond Resolution or for the execution of any trust thereunder or for any other remedy thereunder except upon the conditions therein provided, but nothing therein shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on each Bond, or the obligation of the Agency to pay the same at the time and place expressed in the Bond.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Series B-2 Bond in order to make it a valid and binding general obligation of the Agency in accordance with its terms do exist, have happened and have been performed in due form, time and manner as so required; and that the issuance of this Series B-2 Bond does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Series B-2 Bond is transferable upon the books of the Minnesota Housing Finance Agency at the designated corporate trust office of Computershare Trust Company, National Association, in St. Paul, Minnesota, the successor Trustee thereunder, by the registered owner hereof in person or by the owner's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or the owner's duly authorized attorney. Upon such transfer the Agency will issue in the name of the transferee a new Series Bond or Bonds of the same aggregate principal amount, Series, interest rate and maturity as the surrendered Series Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Agency or the Trustee with respect to such transfer.

The Agency and the Trustee under the Bond Resolution may deem and treat the person in whose name this Series B-2 Bond is registered upon the books of the Agency as the absolute owner hereof, whether this Series B-2 Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon this Series B-2 Bond to the extent of the sum or sums so paid, and neither the Agency nor the Trustee shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Series B-2 Bond, so long as this Series B-2 Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of, premium, if any, and interest on this Series B-2 Bond, and shall give all notices with respect to this Series B-2 Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Agency.

[Remainder of page intentionally left blank]

Unless the Trustee’s Certificate hereon has been manually executed by or on behalf of the Trustee, this Series B-2 Bond shall not be entitled to any benefit under the Bond and Series Resolutions or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Agency has caused this Series B-2 Bond to be executed by the facsimile signatures of its Chair and Commissioner, the Agency having no corporate seal, and has caused this Series B-2 Bond to be dated as of the date set forth below.

Date of Authentication: _____

Trustee’s Certificate

MINNESOTA HOUSING FINANCE
AGENCY

This is one of the Series Bonds delivered pursuant to the Bond and Series Resolution mentioned within.

By: _____
Chair (Facsimile Signature)

COMPUTERSHARE TRUST COMPANY,
NATIONAL ASSOCIATION, St. Paul,
Minnesota, as successor trustee

By: _____
Authorized Representative

Attest: _____
Commissioner (Facsimile Signature)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of transferee)

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

Signature Guaranteed: _____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Please insert social security or other identifying number of assignee:



Item: Financial Update for Quarter 2 FY2024

Information Item: 8.A
Date: 02/22/2024
Staff Contacts: Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
 Debbi Larson, 651.296.8081, debbi.larson@state.mn.us
Request Type: No Action, Discussion

Request Summary

Staff will review financial results for the 2nd quarter of the 2024 fiscal year.

Fiscal Impact

None.

Agency Priorities

- | | |
|--|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

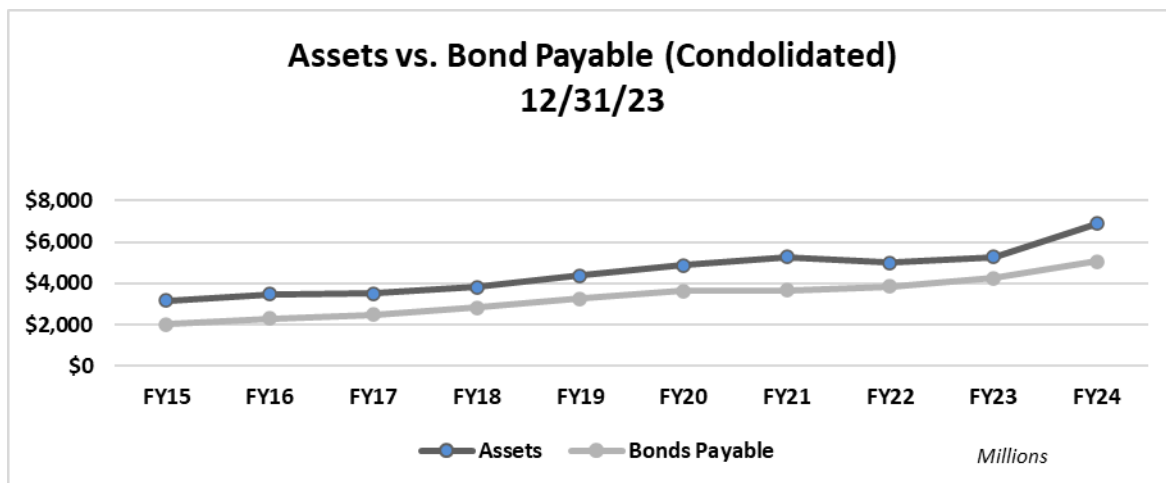
- Noteworthy Items
- Financial Dashboard
- Selected Financial Statements – 2nd quarter of FY 2024

**Minnesota Housing Finance Agency
FY 2024 2nd Quarter Financial Results
Noteworthy Items**

Balance Sheet

Total assets increased in the consolidated financials from previous quarter by \$494 million and prior year by \$1.7 billion. The YTD sustainable core increased \$985.8 million compared to FY23. In terms of the Mortgage-Backed Securities (MBS) portfolio, program securities are up compared to previous quarter and have increased \$921.2 million compared to FY23.

Overall, in FY24, non-securitized loan assets had a \$104.7 million increase over FY23. Multiple drivers for the increase include an increase in State Appropriated loans in the amount of \$33 million, a \$49 million increase in Pool 2 loans, \$31 million increase in Rental Housing loans, an \$8 million increase in Pool 3 loans and a decrease in RHFB loans by \$17 million.

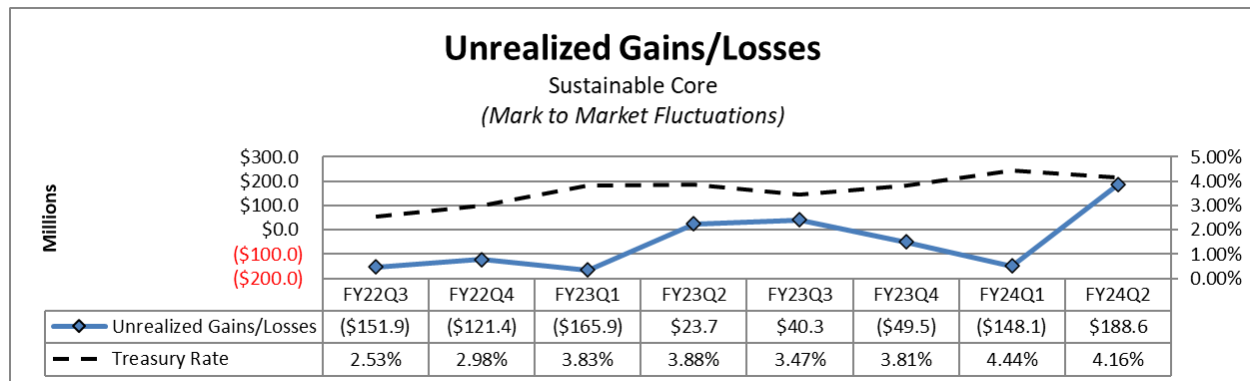


The cash from the federal programs has been a main driver related to the net position balances for the past few years, but in FY24 the increase in cash from State funds appropriated to the Agency has a major impact on our net position.

The 2023 legislative session awarded the Agency over \$1 billion in appropriations. In July 2023 the Agency received \$832 million in appropriated funds. The Agency invested some of these funds and the resulting interest earnings have had a positive impact on our financial position.

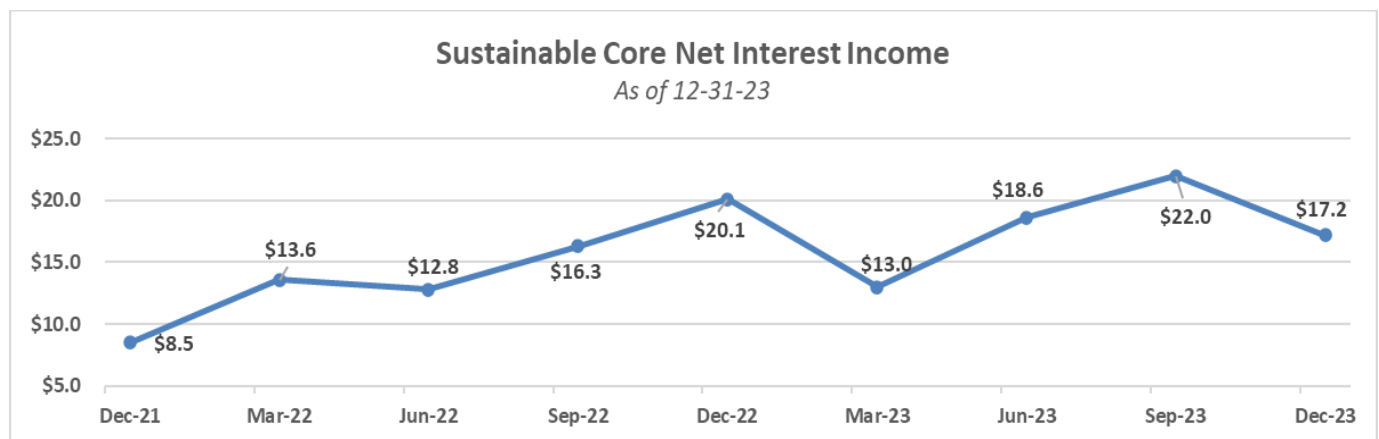
Asset values continue to be impacted by the increase in interest rates. The chart below shows the changes in market interest rates and the impact on the market value of the securities in the sustainable core. While increases in interest rates reduce the market value of investments, the Agency buys and holds investments to maturity thereby not realizing the losses recorded on the

balance sheet. Additionally, increased interest rates provide additional interest revenue for the Agency.



Operating Results

In the Sustainable Core, Q2 FY24 net interest income was \$17.2 million, a decrease from the prior quarter by \$4.8 million. YTD net interest income is \$39.2 million compared to FY23 which was \$36.4 million. The changing interest rate environment has contributed to the increase.



YTD other revenue increased 14.7% over prior year and operating expenses (salaries and general operating expenses) increased 12.3% over prior YTD.

BALANCE SHEET*
Quarterly Financial Dashboard - Selected Reporting
As of December 31, 2023 - (\$ million)

	Quarter End	Prior Quarter End	Change from Prior Quarter	**see note Year Ago (as restated)	Change From Year Ago
CONSOLIDATED					
Total Assets	6,895.9	6,401.8	494.1	5,219.7	1,676.2
<i>Program Securities</i>	3,875.1	3,424.7	450.4	2,953.9	921.2
<i>Loans, net</i>	1,096.9	1,071.9	25.0	992.2	104.7
<i>Other investments and cash</i>	1,851.1	1,810.5	40.6	1,206.6	644.5
Total Liabilities	5,317.8	4,942.2	375.6	4,372.9	944.9
Net Position					
<i>restricted by Resolution</i>	474.9	497.3	(22.4)	80.8	394.1
<i>restricted by Covenant</i>	547.4	547.4	0.0	562.9	(15.5)
<i>restricted by Law</i>	1,105.3	1,045.9	59.4	390.5	714.8
<i>unrestricted - State Appr-Backed Debt</i>	(310.0)	(283.9)	(26.1)	(255.1)	(54.9)
<i>unrestricted by bond resolution</i>	(303.7)	(523.3)	219.6	0.0	(303.7)
<i>unrestricted by law</i>	20.3	102.6	(82.3)	0.0	20.3
<i>net investment in capital assets</i>	0.2	0.6	(0.4)	0.2	0.0
Total Net Position	1,534.4	1,386.6	147.8	779.3	755.1
CONSOLIDATED EXCLUDING APPROPRIATED					
Total Assets	5,568.9	5,032.8	536.1	4,583.1	985.8
Net Position	718.7	522.0	196.7	644.0	74.7
SUSTAINABLE CORE					
Total Assets	5,423.0	4,874.9	548.1	4,445.4	977.6
<i>Program Securities</i>	3,875.1	3,424.7	450.4	2,953.9	921.2
<i>Loans, net</i>	887.2	879.6	7.6	824.2	63.0
<i>Other investments & cash</i>	593.4	480.8	112.6	601.8	(8.4)
Total Liabilities	4,822.4	4,444.9	377.5	3,571.7	1,250.7
<i>Bonds payable, net</i>	4,566.8	4,214.1	352.7	3,667.9	898.9
Net Position	556.9	357.2	199.7	506.3	50.6

* Assets and liabilities do not include deferred inflows/outflows

** FY23 financials were restated at year-end.

STATEMENT OF OPERATIONS
Quarterly Financial Dashboard - Selected Reporting
As of December 31, 2023 - (\$ million)

	This Quarter	Prior Quarter	Change from Prior Quarter	FYTD	Last Year FYTD	Change
CONSOLIDATED						
Revenues	354.9	869.7	(514.8)	1,224.6	207.7	1,016.9
Expenses	207.2	202.8	4.4	410.0	324.3	85.7
Net	147.7	666.9	(519.2)	814.6	(116.6)	931.2
SUSTAINABLE CORE						
Interest revenue	57.3	49.2	8.1	106.5	77.2	29.3
Other revenue	19.8	16.0	3.8	35.8	31.2	4.6
Unrealized gain (loss)	188.6	(147.2)	335.8	41.4	(142.2)	183.6
TOTAL REVENUE	265.7	(82.0)	347.7	183.7	(33.8)	217.5
Interest Expense	40.1	27.2	12.9	67.3	40.8	26.5
Operating Expenses(1)	12.3	14.1	(1.8)	26.4	23.5	2.9
Other Expenses	13.5	11.8	1.7	25.3	15.7	9.6
TOTAL EXPENSE	65.9	53.1	12.8	119.0	80.0	39.0
Revenue over Expense	199.8	(135.1)	334.9	64.7	(113.8)	178.5
Net Interest Income	17.2	22.0	(4.8)	39.2	36.4	2.8
<i>Annualized Net Interest Margin(2)</i>	<i>1.34%</i>	<i>1.86%</i>		<i>1.57%</i>	<i>1.66%</i>	

(1) Salaries, benefits and other general operating; includes YE Pension Adj

(2) Annualized Net Interest Income/Average assets for period

Minnesota Housing Finance Agency
Fund Financial Statements
Statement of Net Position (in thousands) - UNAUDITED
Proprietary Funds
As of December 31, 2023 (with comparative totals as of
December 31, 2022)

Statement of Net Position (in thousands) - UNAUDITED		Bond Funds					Appropriated Funds				
Proprietary Funds			Resi- dential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds		State Appro- priated	Federal Appro- priated	Total as of	*** see note Total as of	
As of December 31, 2023 (with comparative totals as of December 31, 2022)		General Reserve	Rental Housing			HOMES SM			December 31, 2023	December 31, 2022	
Assets											
Cash and cash equivalents	\$ 88,032	\$ 37,807	\$ 353,288	\$ 34,244	\$ 2,032	\$ -	\$ 333,672	\$ 108,135	\$ 957,210	\$ 985,146	
Investments-program mortgage-backed securities	-	-	2,960,358	914,768	-	-	-	-	3,875,126	2,953,899	
Investment securities-other	12,815	18,249	50,748	3,977	-	4,048	804,098	-	893,935	221,506	
Loans receivable, net	-	185,638	822,609	-	12,775	-	75,833	-	1,096,855	992,219	
Interest receivable on loans and program mortgage-backed securities	-	750	14,478	3,004	47	-	31	-	18,310	13,272	
Interest receivable on investments	378	205	1,954	163	9	12	4,861	20	7,602	3,212	
Interest rate swap agreements	-	-	34,876	-	-	-	-	-	34,876	37,609	
FHA/VA insurance claims, net	-	-	136	-	-	-	-	-	136	397	
Real estate owned, net	-	-	553	-	-	-	-	-	553	687	
Capital assets, net	5,786	-	2,069	-	-	-	-	75	7,930	7,134	
Other assets	2,138	4	887	18	-	-	-	281	3,328	4,641	
Total assets	109,149	242,653	4,241,956	956,174	14,863	4,060	1,218,495	108,511	6,895,861	5,219,722	
Deferred Outflows of Resources											
Deferred loss on refunding	-	-	-	-	-	-	-	-	-	1	
Deferred loss on interest rate swap agreements	-	-	4,625	-	-	-	-	-	4,625	-	
Deferred pension expense	10,792	-	-	-	-	-	-	-	10,792	12,397	
Total deferred outflows of resources	10,792	-	4,625	-	-	-	-	-	15,417	12,398	
Total assets and deferred outflows of resources	\$ 119,941	\$ 242,653	\$ 4,246,581	\$ 956,174	\$ 14,863	\$ 4,060	\$ 1,218,495	\$ 108,511	\$ 6,911,278	\$ 5,232,120	
Liabilities											
Bonds payable, net	\$ -	\$ 77,850	\$ 3,490,903	\$ 981,235	\$ 12,400	\$ 4,423	\$ 495,577	\$ -	\$ 5,062,388	\$ 4,156,137	
Interest payable	-	1,010	54,580	2,203	31	12	7,998	-	65,834	41,624	
Interest rate swap agreements	-	-	4,625	-	-	-	-	-	4,625	-	
Net pension liability	13,428	-	-	-	-	-	-	-	13,428	2,423	
Accounts payable and other liabilities	8,581	17,243	59,592	46	-	-	1,951	1,028	88,441	94,910	
Interfund payable (receivable)	3,196	(17,551)	14,976	(5,009)	-	-	4,008	380	-	-	
Funds held for others	75,327	-	-	-	-	(375)	-	91	75,043	70,908	
Lease Liability	5,604	-	-	-	-	-	-	-	5,604	6,903	
Subscription Liability	-	-	2,071	-	-	-	-	381	2,452	-	
Total liabilities	106,136	78,552	3,626,747	978,475	12,431	4,060	509,534	1,880	5,317,815	4,372,905	
Deferred Inflows of Resources											
Deferred gain on interest rate swap agreements	-	-	34,876	-	-	-	-	-	34,876	37,609	
Deferred revenue-service release fee	-	-	14,817	4,797	-	-	-	-	19,614	19,416	
Deferred pension credit	4,634	-	-	-	-	-	-	-	4,634	22,813	
Total deferred inflows of resources	4,634	-	49,693	4,797	-	-	-	-	59,124	79,838	
Total liabilities and deferred inflows of resources	\$ 110,770	\$ 78,552	\$ 3,676,440	\$ 983,272	\$ 12,431	\$ 4,060	\$ 509,534	\$ 1,880	\$ 5,376,939	\$ 4,452,743	
Commitments and contingencies											
Net Position											
Restricted by bond resolution	-	164,404	290,101	17,937	2,432	-	-	-	474,874	80,842	
Restricted by covenant	8,989	-	538,368	-	-	-	-	-	547,357	562,941	
Restricted by law	-	-	-	-	-	-	998,714	106,631	1,105,345	390,515	
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	(310,005)	-	(310,005)	(255,152)	
Unrestricted by bond resolution	-	(303)	(258,328)	(45,035)	-	-	-	-	(303,666)	-	
Unrestricted by covenant	-	-	-	-	-	-	-	-	-	-	
Unrestricted by law	-	-	-	-	-	-	20,252	-	20,252	-	
Net Investment in Capital Assets	182	-	-	-	-	-	-	-	182	231	
Total net position	9,171	164,101	570,141	(27,098)	2,432	-	708,961	106,631	1,534,339	779,377	
Total liabilities, deferred inflows of resources, and net position	\$ 119,941	\$ 242,653	\$ 4,246,581	\$ 956,174	\$ 14,863	\$ 4,060	\$ 1,218,495	\$ 108,511	\$ 6,911,278	\$ 5,232,120	

*** FY23 financials were restated at year-end. FY23 quarterly totals for comparison purposes will not be restated on the FY24 statements until year end.

This information on the funds of the Agency for the six-month period ended December 31, 2023 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2023, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2023 and for the fiscal year then ended.

<div>Minnesota Housing Finance Agency</div> <div>Fund Financial Statements - UNAUDITED</div> <div>Statement of Revenues, Expenses and Changes in Net Position (in thousands)</div> <div>Proprietary Funds</div> <div>Six Months Ended December 31, 2023 (with comparative totals for Six Months Ended December 31, 2022)</div>										
	Bond Funds					Appropriated Funds		Total for the Six Months Ended December 31, 2023		Total for the Six Months Ended December 31, 2022
	General Reserve	Rental Housing	Residential Housing Finance	Homeownership Finance Bonds	Multifamily Housing Bonds	HOMES SM	State Appropriated	Federal Appropriated		
Operating revenues										
Interest earned on loans	\$ -	\$ 4,579	\$ 15,212	\$ -	\$ 281	\$ -	\$ 143	\$ -	\$ 20,215	\$ 18,921
Interest earned on investments-program mortgage-backed securities	-	-	56,167	17,435	-	-	-	-	73,602	49,186
Interest earned on investments-other	588	1,035	10,608	977	51	73	27,922	2,291	43,545	15,756
Net G/L on Sale of MBS Held for Sale/HOMES SM Certificates	-	-	(137)	-	-	-	-	-	(137)	1,251
Appropriations received	-	-	-	-	-	-	868,721	131,558	1,000,279	234,796
Administrative reimbursement	24,276	-	-	-	-	-	-	-	24,276	19,285
Fees earned and other income	8,205	33	2,699	729	-	-	7,331	-	18,997	10,775
Unrealized gains (losses) on investments	-	270	30,058	11,117	-	-	2,403	-	43,848	(142,245)
Total operating revenues	33,069	5,917	114,607	30,258	332	73	906,520	133,849	1,224,625	207,725
Operating expenses										
Interest	157	1,172	52,222	13,479	187	73	7,286	-	74,576	47,021
Financing, net	-	1	6,423	-	-	-	272	-	6,696	386
Loan administration and trustee fees	-	51	1,643	194	2	-	58	-	1,948	1,724
Administrative reimbursement	-	749	11,565	3,273	45	-	5,927	-	21,559	18,509
Salaries and benefits	19,544	-	-	-	-	-	-	-	19,544	17,070
Other general operating	6,153	7	1,322	29	-	-	430	151	8,092	7,248
Appropriations disbursed	-	-	-	-	-	-	49,375	154,529	203,904	192,051
Reduction in carrying value of certain low interest rate deferred loans	-	(40)	4,684	-	-	-	65,416	-	70,060	37,419
Provision for loan losses	-	522	2,013	-	(1)	-	1,130	-	3,664	2,899
Total operating expenses	25,854	2,462	79,872	16,975	233	73	129,894	154,680	410,043	324,327
Operating income (loss)	7,215	3,455	34,735	13,283	99	-	776,626	(20,831)	814,582	(116,602)
Other changes										
Non-operating transfer of assets and program contributions between funds	(7,534)	85	7,449	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-
Change in net position	(319)	3,540	42,184	13,283	99	-	776,626	(20,831)	814,582	(116,602)
Net Position										
Total net position, beginning of period	9,490	160,561	527,957	(40,381)	2,333	-	(67,665)	127,462	719,757	895,979
Total net position, end of period	\$ 9,171	\$ 164,101	\$ 570,141	\$ (27,098)	\$ 2,432	\$ -	\$ 708,961	\$ 106,631	\$ 1,534,339	\$ 779,377
										(59,620)

*** FY23 financials were restated at year-end. FY23 quarterly totals for comparison purposes will not be restated on the FY24 statements until year end.

This information on the funds of the Agency for the six-month period ended December 31, 2023 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2023, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2023 and for the fiscal year then ended.

Total net position, beginning of period adjusted to GASB 68.

See accompanying notes to financial statements.

Page 285 of 316

8:55 AM 2/12/2024 12-31-23_Combined Financial Statement GASB 34

As of December 31, 2023 (with comparative totals for
Deceber 31, 2022)

	Bond Funds							General Reserve &	General Reserve &	Residential Housing	General Reserve &	General Reserve &
								Bond Funds	Bond Funds	Finance	Bond Funds	Bond Funds
	General	Rental	Residential Housing Finance		Homeownership	Multifamily		Excluding Pool 3	Excluding Pool 3	Pool 3	Total As Of	Total As Of
	Reserve	Housing	Bonds	Pool 2	Finance	Housing	HOMES SM	Total As Of	Total As Of	Total As Of	December 31, 2023	December 31, 2022
					Bonds	Bonds		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2023	December 31, 2022
Assets												
Cash and cash equivalents	\$ 88,032	\$ 37,807	\$ 328,385	\$ 21,298	\$ 34,244	\$ 2,032	\$ -	\$ 511,798	\$ 439,532	\$ 3,605	\$ 515,403	\$ 442,686
Investments-program mortgage-backed securities	-	-	2,960,358	-	914,768	-	-	3,875,126	2,953,899	-	3,875,126	2,953,899
Investment securities-other	12,815	18,249	3,038	39,446	3,977	-	4,048	81,573	162,270	8,264	89,837	171,002
Loans receivable, net	-	185,638	197,294	491,507	-	12,775	-	887,214	824,180	133,808	1,021,022	949,819
Interest receivable on loans and program mortgage-backed securities	-	750	12,616	1,819	3,004	47	-	18,236	13,205	43	18,279	13,252
Interest receivable on investments	378	205	1,518	350	163	9	12	2,635	2,011	86	2,721	2,078
Interest rate swap agreements	-	-	34,876	-	-	-	-	34,876	37,609	-	34,876	37,609
FHA/VA insurance claims, net	-	-	136	-	-	-	-	136	397	-	136	397
Real estate owned, net	-	-	374	179	-	-	-	553	676	-	553	687
Capital assets, net	5,786	-	-	2,069	-	-	-	7,855	7,134	-	7,855	7,134
Other assets	2,138	4	49	835	18	-	-	3,044	4,518	3	3,047	4,519
Total assets	109,149	242,653	3,538,644	557,503	956,174	14,863	4,060	5,423,046	4,445,431	145,809	5,568,855	4,583,082
Deferred Outflows of Resources												
Deferred loss on refunding	-	-	-	-	-	-	-	-	1	-	-	1
Deferred loss on interest rate swap agreements	-	-	4,625	-	-	-	-	4,625	-	-	4,625	-
Deferred pension expense	10,792	-	-	-	-	-	-	10,792	12,397	-	10,792	12,397
Total deferred outflows of resources	10,792	-	4,625	-	-	-	-	15,417	12,398	-	15,417	12,398
Total assets and deferred outflows of resources	\$ 119,941	\$ 242,653	\$ 3,543,269	\$ 557,503	\$ 956,174	\$ 14,863	\$ 4,060	\$ 5,438,463	\$ 4,457,829	\$ 145,809	\$ 5,584,272	\$ 4,595,480
Liabilities												
Bonds payable, net	\$ -	\$ 77,850	\$ 3,460,519	\$ 30,384	\$ 981,235	\$ 12,400	\$ 4,423	\$ 4,566,811	\$ 3,667,852	\$ -	\$ 4,566,811	\$ 3,667,852
Interest payable	-	1,010	54,511	69	2,203	31	12	57,836	34,342	-	57,836	34,342
Interest rate swap agreements	-	-	4,625	-	-	-	-	4,625	-	-	4,625	-
Net pension liability	13,428	-	-	-	-	-	-	13,428	2,423	-	13,428	2,423
Accounts payable and other liabilities	8,581	17,243	774	58,817	46	-	-	85,461	92,978	1	85,462	92,980
Interfund payable (receivable)	3,196	(17,551)	(56,684)	87,678	(5,009)	-	-	11,630	(3,733)	(16,018)	(4,388)	(3,772)
Funds held for others	75,327	-	-	-	-	-	(375)	74,952	70,900	-	74,952	70,900
Lease Liability	5,604	-	-	-	-	-	-	5,604	6,903	-	5,604	6,903
Subscription Liability	-	-	-	2,071	-	-	-	2,071	-	-	2,071	-
Total liabilities	106,136	78,552	3,463,745	179,019	978,475	12,431	4,060	4,822,418	3,871,665	(16,017)	4,806,401	3,871,628
Deferred Inflows of Resources												
Deferred gain on interest rate swap agreements	-	-	34,876	-	-	-	-	34,876	37,609	-	34,876	37,609
Deferred revenue-service release fee	-	-	12,875	1,942	4,797	-	-	19,614	19,416	-	19,614	19,416
Deferred pension credit	4,634	-	-	-	-	-	-	4,634	22,813	-	4,634	22,813
Total deferred inflows of resources	4,634	-	47,751	1,942	4,797	-	-	59,124	79,838	-	59,124	79,838
Total liabilities and deferred inflows of resources	\$ 110,770	\$ 78,552	\$ 3,511,496	\$ 180,961	\$ 983,272	\$ 12,431	\$ 4,060	\$ 4,881,542	\$ 3,951,503	\$ (16,017)	\$ 4,865,525	\$ 3,951,466
Commitments and contingencies												
Net Position												
Restricted by bond resolution	-	164,404	290,101	-	17,937	2,432	-	474,874	80,842	-	474,874	80,842
Restricted by covenant	8,989	-	-	376,542	-	-	-	385,531	425,253	161,826	547,357	562,941
Restricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted by State Appropriation-backed Debt	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted by bond resolution	-	(303)	(258,328)	-	(45,035)	-	-	(303,666)	-	-	(303,666)	-
Unrestricted by covenant	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted by law	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment in Capital Assets	182	-	-	-	-	-	-	182	231	-	182	231
Total net position	9,171	164,101	31,773	376,542	(27,098)	2,432	-	556,921	506,326	161,826	718,747	644,014
Total liabilities, deferred inflows, and net position	\$ 119,941	\$ 242,653	\$ 3,543,269	\$ 557,503	\$ 956,174	\$ 14,863	\$ 4,060	\$ 5,438,463	\$ 4,457,829	\$ 145,809	\$ 5,584,272	\$ 4,595,480
	-	-	-	-	-	-	-	-	-	-	-	-

This information on the funds of the Agency for the six-month period ended December 31, 2023 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2023, subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2023 and for the fiscal year then ended.

Minnesota Housing Finance Agency
Supplementary Information (Unaudited)
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
General Reserve & Bond Funds
Six Months Ended December 31, 2023 (with comparative totals for the six months ended December 31, 2022)

Supplementary Information (Unaudited)							General Reserve & Bond Funds	General Reserve & Bond Funds	Residential Housing	General Reserve & Bond Funds	General Reserve & Bond Funds
Statement of Revenues, Expenses and Changes in Net Position (in thousands)							Excluding Pool 3	Excluding Pool 3	Finance Pool 3	Bond Funds	Bond Funds
General Reserve & Bond Funds							Total for Six Months Ended	Total for Six Months Ended	Total for Six Months Ended	Total for Six Months Ended	Total for Six Months Ended
Six Months Ended December 31, 2023 (with comparative totals for the six months ended December 31, 2022)							December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2023	December 31, 2022
	General Reserve	Rental Housing	Residential Housing Finance		Homeownership Finance	Multifamily Housing					
			Bonds	Pool 2	Bonds	Bonds	HOMES SM				
Operating revenues											
Interest earned on loans	\$ -	4,579	\$ 4,543	\$ 10,575	\$ -	\$ 281	\$ -	\$ 19,978	\$ 18,294	\$ 94	20,072
Interest earned on investments-program mortgage-backed securities	-	-	56,167	-	17,435	-	-	73,602	49,186	-	73,602
Interest earned on investments-other	588	1,035	6,900	3,313	977	51	73	12,937	9,756	395	13,332
Net G/L on Sale of MBS Held for Sale/HOMES SM Certificate	-	-	-	(137)	-	-	-	(137)	1,251	-	(137)
Appropriations received	-	-	-	-	-	-	-	-	-	-	-
Administrative reimbursement	24,276	-	-	-	-	-	-	24,276	19,285	-	24,276
Fees earned and other income	8,205	33	1,587	1,098	729	-	-	11,652	10,583	14	11,666
Unrealized gains (losses) on Investments	-	270	31,475	(1,422)	11,117	-	-	41,440	(142,172)	5	41,445
Total operating revenues	33,069	5,917	100,672	13,427	30,258	332	73	183,748	(33,817)	508	184,256
Operating expenses											
Interest	157	1,172	48,739	3,483	13,479	187	73	67,290	40,847	-	67,290
Financing, net	-	1	6,416	7	-	-	-	6,424	(363)	-	6,424
Loan administration and trustee fees	-	51	915	724	194	2	-	1,886	1,651	4	1,890
Administrative reimbursement	-	749	8,864	1,835	3,273	45	-	14,766	12,549	866	15,632
Salaries and benefits	19,544	-	-	-	-	-	-	19,544	17,070	-	19,544
Other general operating	6,153	7	77	628	29	-	-	6,894	6,452	617	7,511
Appropriations disbursed	-	-	-	-	-	-	-	-	-	-	-
Reduction in carrying value of certain low interest rate deferred loans	-	(40)	38	(142)	-	-	-	(144)	(39)	4,788	4,644
Provision for loan losses	-	522	322	1,520	-	(1)	-	2,363	1,840	171	2,534
Total operating expenses	25,854	2,462	65,371	8,055	16,975	233	73	119,023	80,007	6,446	125,469
Operating income (loss)	7,215	3,455	35,301	5,372	13,283	99	-	64,725	(113,824)	(5,938)	58,787
Other changes											
Non-operating transfer of assets and program contributions between funds	(7,534)	85	18,556	(11,107)	-	-	-	-	285	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-
Change in net position	(319)	3,540	53,857	(5,735)	13,283	99	-	64,725	(113,539)	(5,938)	58,787
Net Position											
Total net position, beginning of period	9,490	160,561	(22,084)	382,277	(40,381)	2,333	-	492,196	619,865	167,764	659,960
Total net position, end of period	\$ 9,171	\$ 164,101	\$ 31,773	\$ 376,542	\$ (27,098)	\$ 2,432	\$ -	\$ 556,921	\$ 506,326	\$ 161,826	\$ 718,747

This information on the funds of the Agency for the six-month period ended December 31, 2023 was prepared by the Agency, and, in the opinion of the Agency, includes all accounting adjustments necessary for a fair statement of the financial position and results of operations of those funds for the six-month period ended December 31, 2023 subject to year-end adjustments. However, this presentation excludes management's discussion and analysis, the agency-wide financial statements, and the notes to the financial statements which are required by generally accepted accounting principles. This information has not been reviewed by independent auditors and is not accompanied by any opinion from them. This information should be read in conjunction with the Agency's audited financial statements as of June 30, 2023 and for the fiscal year then ended.

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Item: Semi-annual Variable Rate Debt and Swap Report as of January 1, 2024

Information Item: 9.A
Date: 02/22/2024
Staff Contacts: Michael Solomon, 651.297.4009, michael.solomon@state.mn.us
 Paula Rindels, 651.296.2293, paula.rindels@state.mn.us
Request Type: No Action, Information

Request Summary

The Agency's board-approved Debt and Balance Sheet Management Policy calls for the ongoing review and management of variable rate and interest rate swap transactions including regular reporting to the board. This reporting is accomplished through the Semi-annual Variable Rate Debt and Swap Performance Report.

Fiscal Impact

None.

Agency Priorities

- | | |
|--|---|
| <input type="checkbox"/> Improve the Housing System | <input type="checkbox"/> Make Homeownership More Accessible |
| <input type="checkbox"/> Preserve and Create Housing Opportunities | <input type="checkbox"/> Support People Needing Services |
| | <input type="checkbox"/> Strengthen Communities |

Attachments

- Semi-annual Variable Rate Debt and Swap Report as of January 1, 2024



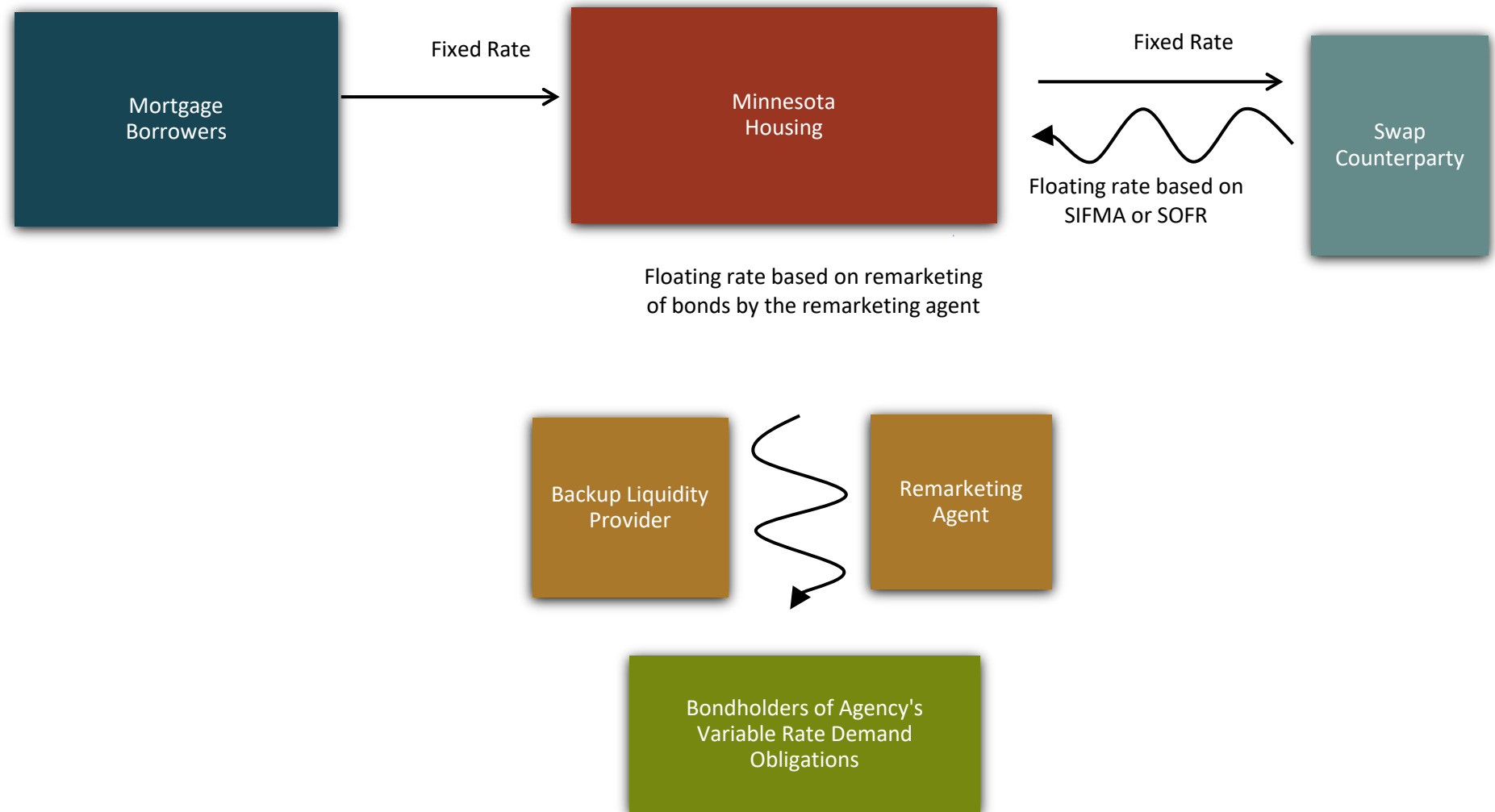
Semi-annual Variable-Rate Debt and Swap Performance Report

January 1, 2024

Table of Contents

Page	Description
1	Overview of Swap Structure: Graphic
2-3	Overview of Swaps
4-5	Basis Risk
6-7	Counterparty/Termination Risk
8-10	Liquidity Risk
11-12	Liquidity Renewal Risk
13	Minnesota Housing Total Debt: Fixed vs. Variable: Graph
14	Annual Debt Issuance: Fixed vs. Variable: Graph
15-17	Glossary of Terms

Floating-to-Fixed Interest Rate Swap Structure



Overview of Swaps
January 1, 2024

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2015 D	8/11/2015	\$ 18,225,000	\$ 13,460,000	Royal Bank of Canada	67% of SOFR + 0.07670%
RHFB 2015 G	12/8/2015	35,000,000	27,710,000	Royal Bank of Canada	67% of SOFR + 0.07670%
RHFB 2016 F	12/22/2016	50,000,000	36,800,000	Royal Bank of Canada	67% of SOFR + 0.07670%
RHFB 2017 C	1/1/2019	40,000,000	30,430,000	Wells Fargo	67% of SOFR + 0.07670%
RHFB 2017 F	12/21/2017	40,000,000	31,865,000	Wells Fargo	67% of SOFR + 0.07670%
RHFB 2018 D	7/3/2023	19,625,000	19,625,000	The Bank of New York Mellon	70% of SOFR + 0.51014%
RHFB 2018 H	7/3/2023	28,820,000	28,820,000	Royal Bank of Canada	70% of SOFR + 0.08014%
RHFB 2019 D	4/11/2019	45,000,000	32,425,000	Royal Bank of Canada	70% of SOFR + 0.08014%
RHFB 2019 H	9/11/2019	43,985,000	40,840,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2022 D	3/16/2022	25,000,000	25,000,000	The Bank of New York Mellon	100% 1D SOFR
RHFB 2022 F	5/12/2022	35,000,000	35,000,000	The Bank of New York Mellon	100% 1D SOFR
RHFB 2022 H	10/1/2022	50,000,000	50,000,000	Royal Bank of Canada	100% 1D SOFR
RHFB 2022 K	9/29/2022	25,000,000	25,000,000	Royal Bank of Canada	100% 1D SOFR
RHFB 2023 I	7/26/2023	30,000,000	30,000,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2023 K	8/24/2023	20,000,000	20,000,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2023 M	9/14/2023	30,000,000	30,000,000	Royal Bank of Canada	100% of SOFR + 0.11448%

Bond Series	Effective Date	Original Notional Amount of Swap	Notional Amount Outstanding	Counterparty	Floating Rate Received
RHFB 2023 Q	10/12/2023	30,000,000	30,000,000	The Bank of New York Mellon	100% of SOFR + 0.11448%
RHFB 2023 T	11/30/2023	43,750,000	43,750,000	Bank of America	100% of SOFR + 0.11448%
RHFB 2023 V	12/13/2023	26,250,000	26,250,000	Bank of America	100% of SOFR + 0.11448%
	Totals	\$ 635,655,000	\$ 576,975,000		

Basis Risk
January 1, 2024

Bond Series	Effective Date	VRDO's and Swaps Outstanding	Net Variable Interest (Paid) Received Basis Risk	Contractual Swap Fixed Rate Paid	Effective Net Payment Rate*	Effective Rate As a Percentage of Swap Fixed
RHFB 2015 D	8/11/2015	\$ 13,460,000	\$ (93,203)	2.343%	2.407%	102.725%
RHFB 2015 G	12/8/2015	27,710,000	(97,951)	1.953%	1.989%	101.865%
RHFB 2016 F	12/22/2016	36,800,000	(225,594)	2.175%	2.244%	103.162%
RHFB 2017 C	1/1/2019	30,430,000	(81,463)	2.180%	2.223%	101.982%
RHFB 2017 F	12/21/2017	31,865,000	(46,032)	2.261%	2.281%	100.871%
RHFB 2018 D	7/3/2023	19,625,000	65,992	3.1875%	2.515%	78.901%
RHFB 2018 H	7/3/2023	28,820,000	34,255	2.8035%	2.566%	91.521%
RHFB 2019 D	4/11/2019	32,425,000	151,956	2.4090%	2.333%	96.845%
RHFB 2019 H	9/11/2019	40,840,000	62,083	2.1500%	2.117%	98.470%
RHFB 2022 D	3/16/2022	25,000,000 ²	3,011	2.2050%	2.198%	99.695%
RHFB 2022 F	5/12/2022	25,000,000 ³	10,436	3.2375%	3.212%	99.212%
RHFB 2022 F	5/12/2022	10,000,000 ³	4,174	2.5100%	2.484%	98.984%
RHFB 2022 H	10/1/2022	50,000,000 ⁴	36,793	3.7395%	3.681%	98.426%

<u>Bond Series</u>	<u>Effective Date</u>	<u>VRDO's and Swaps Outstanding</u>	<u>Net Variable Interest (Paid) Received Basis Risk</u>	<u>Contractual Swap Fixed Rate Paid</u>	<u>Effective Net Payment Rate*</u>	<u>Effective Rate As a Percentage of Swap Fixed</u>
RHFB 2022 K	9/29/2022	25,000,000	18,326	4.1775%	4.119%	98.602%
RHFB 2023 I	7/26/2023	30,000,000	17,065	4.5450%	4.413%	97.093%
RHFB 2023 K	8/24/2023	20,000,000	9,210	4.8975%	4.767%	97.335%
RHFB 2023 M	9/14/2023	30,000,000	11,055	4.8455%	4.722%	97.441%
RHFB 2023 Q	10/12/2023	30,000,000	12,678	4.8775%	4.685%	96.052%
RHFB 2023 T	11/30/2023	43,750,000	6,973	5.0620%	4.877%	96.344%
RHFB 2023 V	12/13/2023	26,250,000	6,127	5.0840%	4.642%	91.301%
Total		\$ 576,975,000	\$ (94,109) ¹			

*Fixed Rate plus/minus the net of variable rate paid/received, as of 1/1/2024.

¹The cumulative total variable interest paid of \$31,198,001 on all outstanding hedged VRDO and all variable interest received of \$31,103,892 on the outstanding swaps during the period bonds were hedged results in a net payable of \$94,109.

²The variable rate debt outstanding for RHFB 2022D is \$48,945,000 and \$23,945,000 is unhedged.

³The variable rate debt outstanding for RHFB 2022F is \$50,000,000 and \$15,000,000 is unhedged.

⁴The interest on the variable rate debt for RHFB 2022H started 7/7/2022 and the interest on the swap started 10/1/2022.

Counterparty/Termination Risk
January 1, 2024

<u>Related Bond Series</u>	<u>Counterparty</u>	<u>Short-term Credit rating¹</u>	<u>Long-term Credit Rating of Provider at Swap Inception¹</u>	<u>Current Long-term Credit rating¹</u>	<u>Long-term Credit Outlook¹</u>	<u>Notional Amount Outstanding</u>	<u>Swap Maturity</u>	<u>average life</u>	<u>Swap Fixed Rate</u>	<u>Fair Value² as of 12/31/2023</u>
RHFB 2015 D	Royal Bank of Canada	P-1/A-1+	Aaa/AA-	Aa1/AA-	Stable/Stable	13,460,000	1/1/2046	27.4	2.343%	1,098,983
RHFB 2015 G	Royal Bank of Canada	P-1/A-1+	Aa3/AA-	Aa1/AA-	Stable/Stable	27,710,000	1/1/2034	15.7	1.953%	1,611,072
RHFB 2016 F	Royal Bank of Canada	P-1/A-1+	Aa1/AA+	Aa1/AA-	Stable/Stable	36,800,000	1/1/2041	19.2	2.175%	2,650,357
RHFB 2018 H	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa1/AA-	Stable/Stable	28,820,000	7/1/2041	18.7	2.8035%	1,346,149
RHFB 2019 D	Royal Bank of Canada	P-1/A-1+	Aa2/AA-	Aa1/AA-	Stable/Stable	32,425,000	1/1/2042	18.5	2.4090%	2,348,409
RHFB 2022 H	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Aa1/AA-	Stable/Stable	50,000,000	1/1/2049	27.6	3.7395%	3,970,616
RHFB 2022 K	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Aa1/AA-	Stable/Stable	25,000,000	7/1/2053	26.8	4.1775%	1,388,216
RHFB 2023 M	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Aa1/AA-	Stable/Stable	30,000,000	1/1/2050	23.7	4.8455%	(745,656)
	Total Royal Bank of Canada					244,215,000				13,668,148
RHFB 2018 D	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	19,625,000	1/1/2045	23.3	3.1875%	1,395,550
RHFB 2019 H	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	40,840,000	1/1/2047	25.7	2.1500%	9,484,897
RHFB 2022 D	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	25,000,000	1./1.2044	18.4	2.2050%	4,438,107
RHFB 2022 F	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	25,000,000	7/1/2052	24.4	3.2375%	3,133,398
RHFB 2022 F	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	10,000,000	7/1/2030	24.4	2.5100%	724,597
RHFB 2023 I	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	30,000,000	1/1/2050	23.3	4.5450%	559,834

Related Bond Series	Counterparty	Short-term Credit rating ¹	Long-term Credit Rating of Provider at Swap Inception ¹	Current Long-term Credit rating ¹	Long-term Credit Outlook ¹	Notional Amount Outstanding	Swap Maturity	average life	Swap Fixed Rate	Fair Value ² as of 12/31/2023
RHFB 2023 K	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	20,000,000	7/1/2050	25.4	4.8975%	307,061
RHFB 2023 Q	The Bank of New York Mellon	P-1/A-1+	Aa2/AA-	Aa2/AA-	Negative/Stable	30,000,000	1/1/2048	27.2	4.8775%	(756,958)
	Total The Bank of New York Mellon					200,465,000	³			19,286,486
RHFB 2017 C	Wells Fargo Bank	P-1/A-1	Aa2/A+	Aa2/A+	Stable/Stable	30,430,000	1/1/2038	16.8	2.180%	1,850,286
RHFB 2017 F	Wells Fargo Bank	P-1/A-1	Aa2/A+	Aa2/A+	Stable/Stable	31,865,000	1/1/2041	19.7	2.261%	2,143,191
	Total Wells Fargo					62,295,000	³			3,993,477
RHFB 2023 T	Bank of America	P-1/A-1	Aa1/A+	Aa1/A+	Negative/Stable	43,750,000	1/1/2054	28.1	5.062%	(1,827,802)
RHFB 2023 V	Bank of America	P-1/A-1	Aa1/A+	Aa1/A+	Negative/Stable	26,250,000	7/1/2050	23.5	5.084%	(1,171,475)
	Total Bank of America					70,000,000	³			(2,999,277)
	Total All Swaps					\$ 576,975,000				\$ 33,948,834

¹Moody's/Standard & Poors

²A positive fair value represents money due the Agency from the Counterparty upon termination. A negative number represents money payable by the Agency upon termination. Valuations are provided by BLX.

³Counterparty Exposure Percentage:

Royal Bank of Canada	42%
The Bank of New York Mellon	35%
Wells Fargo	11%
Bank of America	12%

<div>Liquidity Risk</div> <div>January 1, 2024</div>									
Bond Series	Current Liquidity Provider	Remarketing Agent	Short-term Credit Rating ¹	Long-term Credit Rating ¹	Long-term Credit Outlook ¹	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Expiration	Liquidity Fee
RHFB 2015 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	\$ 13,460,000	1/1/2046	8/11/2027	0.23%
RHFB 2015 G	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	27,710,000	1/1/2034	11/17/2027	0.23%
RHFB 2017 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	31,865,000	1/1/2041	11/17/2027	0.23%
RHFB 2019 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	32,425,000	1/1/2042	7/1/2024	0.34%
RHFB 2022 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	48,945,000	⁴ 7/1/2052	3/16/2027	0.23%
RHFB 2022 F	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	50,000,000	⁵ 7/1/2052	5/12/2027	0.23%
RHFB 2018 D	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	19,625,000	1/1/2045	6/30/2028	0.23%
RHFB 2018 H	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	28,820,000	7/1/2041	6/30/2028	0.23%
RHFB 2023 K	Royal Bank of Canada	Royal Bank of Canada	P-1/A-1+	Aa1/AA-	Stable/Stable	20,000,000	7/1/2050	8/24/2028	0.26%
Royal Bank of Canada subtotal						272,850,000	³		

Bond Series	Current Liquidity Provider	Remarketing Agent	Short- term Credit Rating¹	Long- term Credit Rating¹	Long-term Credit Outlook¹	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Expiration	Liquidity Fee
RHFB 2016 F	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	36,800,000	1/1/2041	1/2/2027	0.26%
RHFB 2017 C	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Negative/Stable	30,430,000	1/1/2038	7/19/2024	0.29%
RHFB 2022 H	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	50,000,000	7/1/2052	7/7/2025	0.21%
RHFB 2022 K	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	25,000,000	7/1/2053	9/29/2025	0.21%
RHFB 2023 I	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	30,000,000	1/1/2050	7/27/2026	0.25%
RHFB 2023 T	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	43,750,000	7/1/2054	11/30/2026	0.25%
RHFB 2023 V	FHLB - Des Moines ²	Royal Bank of Canada	P-1/A-1+	Aaa/AA+	Stable/Stable	<u>26,250,000</u>	7/1/2050	12/14/2026	0.25%
FHLB - Des Moines subtotal						242,230,000	³		
RHFB 2019 H	US Bank	US Bank Municipal Securities	P-2/A-1	A2/A-1	Negative/Stable	<u>40,840,000</u>	1/1/2050	9/10/2024	0.33%
US Bank subtotal						40,840,000	³		

Bond Series	Current Liquidity Provider	Remarketing Agent	Short- term Credit Rating ¹	Long- term Credit Rating ¹	Long-term Credit Outlook ¹	VRDO's Outstanding	VRDO Maturity	Liquidity Facility Expiration	Liquidity Fee
RHFB 2023 M	TD Bank	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Stable	30,000,000	1/1/2050	9/14/2028	0.25%
RHFB 2023 Q	TD Bank	TD Securities (USA)LLC	P-1/A-1+	Aa2/AA-	Stable/Stable	30,000,000	7/1/2053	10/12/2028	0.25%
TD Bank subtotal						60,000,000			
Total All Liquidity Providers						\$ 615,920,000			

¹Moody's/Standard & Poors

⁴Federal Home Loan Bank of Des Moines

³Liquidity Provider Exposure Percentage:

Royal Bank of Canada	44%
Federal Home Loan Bank of Des Moines	39%
US Bank	7%
TD Bank	10%

[~]The notional amount outstanding for RHFB 2022D is \$25,000,000

³The notional amount outstanding for RHFB 2022F is \$35,000,000

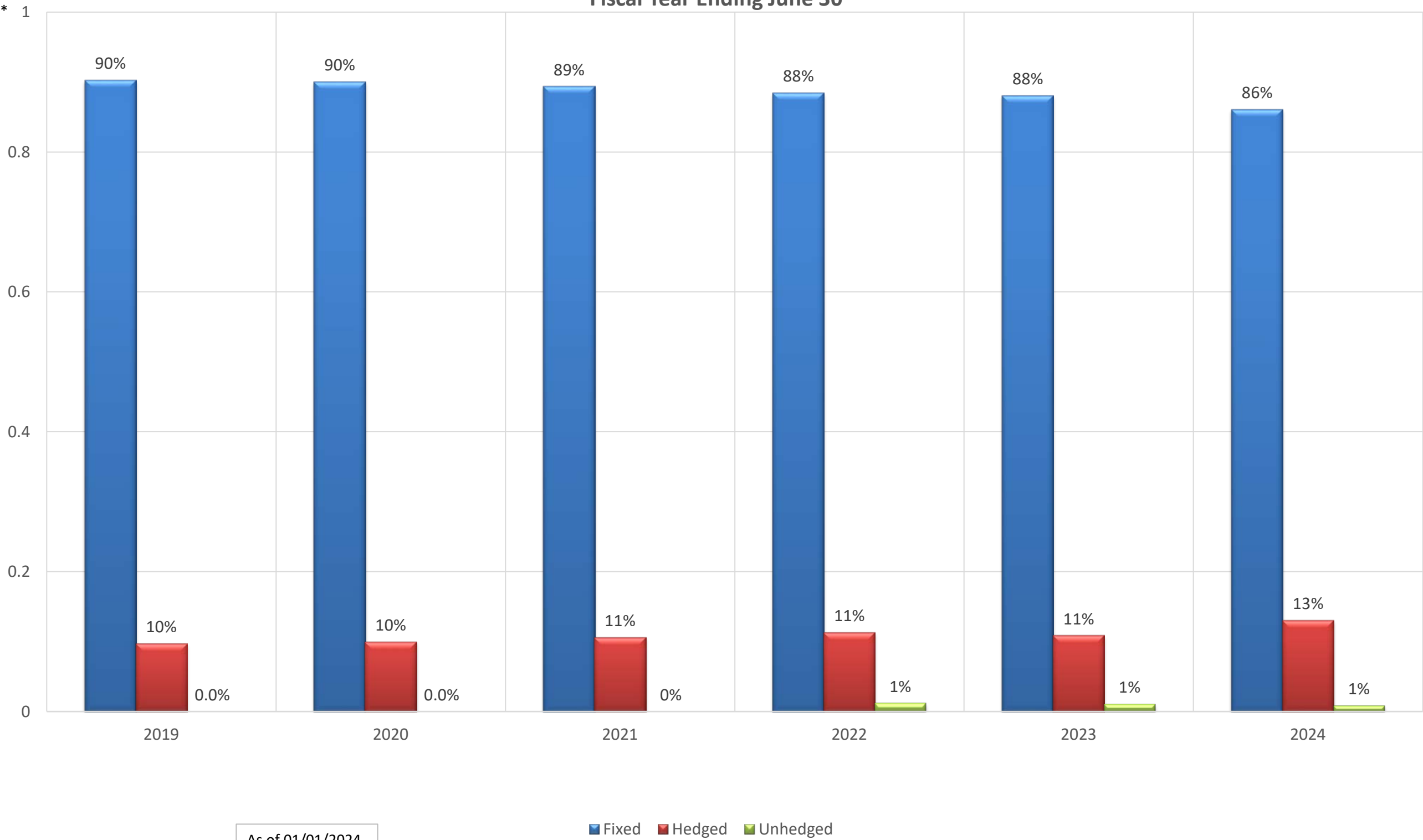
Liquidity Renewal Requirements
January 1, 2024

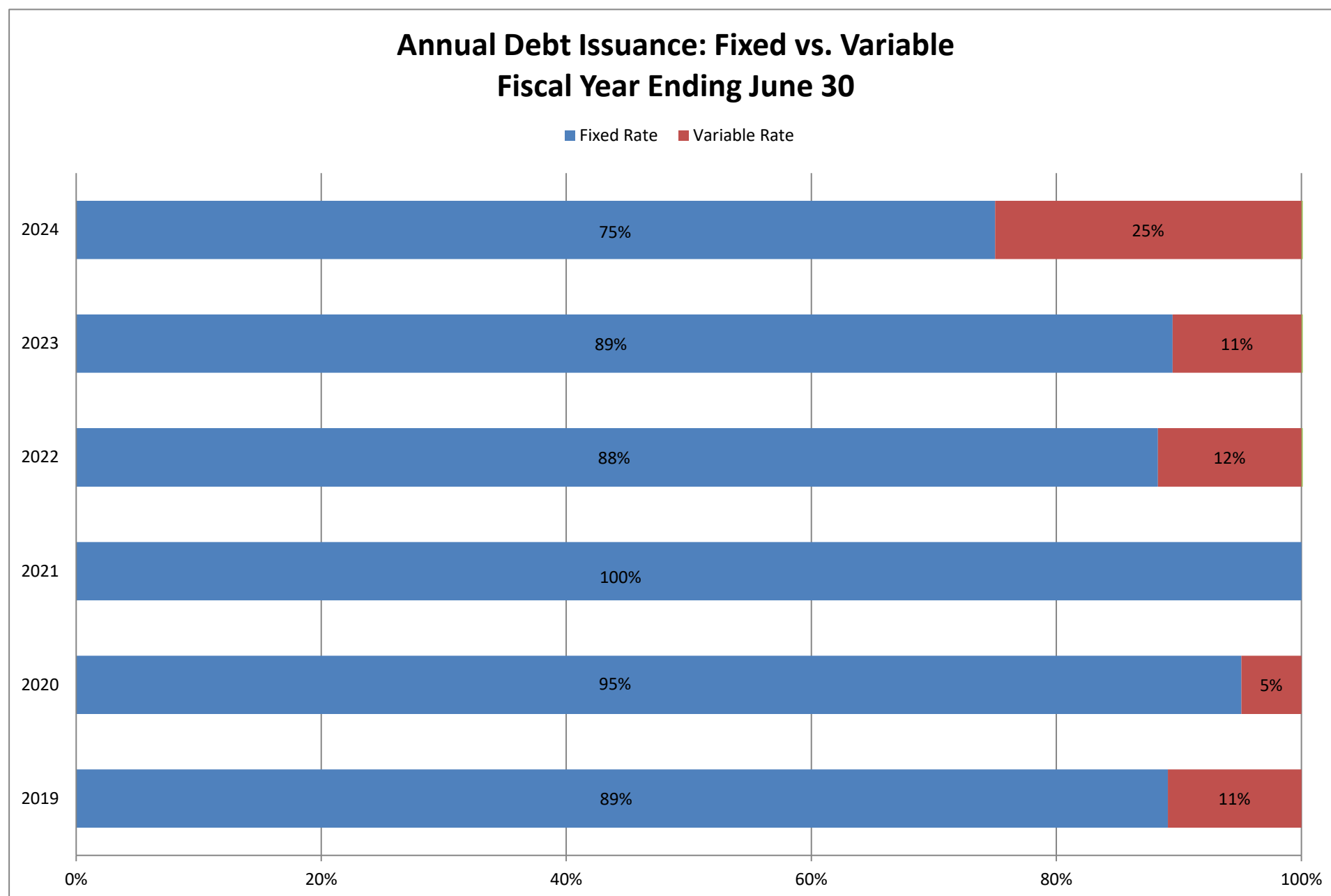
Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/2024	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2015 D	Royal Bank of Canada	1/1/2046	7/1/2022	8/11/2027	\$ 18,225,000	\$ 13,460,000	\$ 13,460,000	-	RBC ¹
2015 G	Royal Bank of Canada	1/1/2034	1/1/2023	11/17/2027	35,000,000	27,710,000	27,710,000	-	RBC ¹
2017 F	Royal Bank of Canada	1/1/2041	1/1/2023	11/17/2027	40,000,000	31,865,000	31,865,000	-	WF ³
2019 D	Royal Bank of Canada	1/1/2042	7/1/2024	7/1/2024	45,000,000	32,425,000	32,425,000	-	RBC ¹
2022 D	Royal Bank of Canada	1/1/2044	7/1/2031	3/16/2027	25,000,000	25,000,000	25,000,000	-	BoNY ⁴
2022 F	Royal Bank of Canada	7/1/2052	1/1/2032	5/12/2027	25,000,000	25,000,000	25,000,000	-	BoNY ⁴
2022 F	Royal Bank of Canada	7/1/2030	N/A	5/12/2027	10,000,000	10,000,000	10,000,000	-	BoNY ⁴
2018 D	Royal Bank of Canada	1/1/2045	N/A	6/30/2028	19,625,000	19,625,000	19,625,000	-	BoNY ⁴
2018 H	Royal Bank of Canada	7/1/2041	N/A	6/30/2028	28,820,000	28,820,000	28,820,000	-	RBC ¹
2023 K	Royal Bank of Canada	7/1/2050	1/1/2029	8/24/2028	20,000,000	20,000,000	20,000,000	-	BoNY ⁴
Royal Bank of Canada subtotal					266,670,000	233,905,000	233,905,000	-	
2016 F	FHLB - Des Moines ²	1/1/2041	1/1/2024	1/2/2027	50,000,000	36,800,000	36,800,000	-	RBC ¹
2017 C	FHLB - Des Moines ²	1/1/2038	7/1/2024	7/19/2024	40,000,000	30,430,000	30,430,000	-	WF ³
2022 H	FHLB - Des Moines ²	1/1/2049	7/1/2027	7/7/2025	50,000,000	50,000,000	50,000,000	48,875,000	RBC ¹
2022 K	FHLB - Des Moines ²	7/1/2053	7/1/2028	9/29/2025	25,000,000	25,000,000	25,000,000	25,000,000	RBC ¹
2023 I	FHLB - Des Moines ²	1/1/2050	7/1/2030	7/27/2026	30,000,000	30,000,000	30,000,000	-	BoNY ⁴
2023 T	FHLB - Des Moines ²	1/1/2054	1/1/2031	11/30/2026	43,750,000	43,750,000	42,815,000	-	BA ⁵
2023 V	FHLB - Des Moines ²	7/1/2050	1/1/2031	12/14/2026	26,250,000	26,250,000	25,670,000	-	BA ⁵
FHLB - Des Moines subtotal					265,000,000	242,230,000	240,715,000	73,875,000	
2019 H	US Bank	1/1/2047	1/1/2027	9/10/2024	43,985,000	40,840,000	40,840,000	39,570,000	BoNY ⁴
US Bank subtotal					43,985,000	40,840,000	40,840,000	39,570,000	

Issue	Liquidity Provider	Final Swap Maturity	Full Optional Termination Date	Liquidity Expiration Date	Original Notional Amount	Outstanding Notional Amount as of 01/01/2024	Scheduled Notional Amount Outstanding at Liquidity Expiration	Minimum Notional Amount Outstanding at Liquidity Expiration	Swap Counterparty
2023 M	TD Bank	1/1/2050	7/1/2030	9/14/2028	30,000,000	30,000,000	27,905,000	-	RBC ¹
2023 Q	TD Bank	1/1/2048	7/1/2030	10/12/2028	30,000,000	30,000,000	27,935,000	-	BoNY ⁴
TD Bank subtotal					60,000,000	60,000,000	55,840,000	-	
Total All Liquidity Providers					\$ 635,655,000	\$ 576,975,000	\$ 571,300,000	113,445,000	

¹Royal Bank of Canada ²Federal Home Loan Bank of Des Moines ³Wells Fargo ⁴Bank of New York ⁵Bank of America

Total Long Term Debt: Fixed vs. Variable
Fiscal Year Ending June 30





Only includes Rental Housing Bonds, Residential Housing Finance Bonds, Homeownership Finance Bonds, Multifamily Housing Bonds and HOMESSM Certificates.

Glossary of Terms

The following are explanations of certain terms used in this presentation:

Amortization Risk

Minnesota Housing is subject to amortization risk on its hedged VRDOs because the prepayments from mortgage loans securing the bonds may cause the outstanding principal amount of bonds to decline faster than the nominal amount of the swap. To manage amortization risk, termination options have been structured into its outstanding swaps to enable Minnesota Housing in certain circumstances to reduce the nominal amounts of the swaps to correspond to the outstanding principal amount of the bonds hedged by the swap. Additionally, Minnesota Housing may terminate outstanding swaps in whole or in part at fair value at any time if it is not in default thereunder.

Basis Risk

Basis risk refers to a mismatch between the floating interest rate received from the swap counterparty and the interest actually paid on the related series of Minnesota Housing's variable rate bonds. Under its outstanding swaps, Minnesota Housing pays a fixed interest rate and in return receives a floating variable rate based on SOFR or SIFMA Municipal Swap index, plus a specified spread if the swap relates to tax-exempt bonds. Minnesota Housing's bonds hedged by its swaps bear interest at a variable rate that is reset weekly, based on market conditions. Minnesota Housing's risk is that the variable interest payments received from the counterparty will be less than the variable interest payments actually paid on the bonds. This mismatch between the actual bond interest rate and the swap floating interest rate would cause additional interest expense to Minnesota Housing. A mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the credit quality of Minnesota Housing or the liquidity facility provider, or a reduction of federal income tax rates for corporations and individuals. Basis risk varies over time due to inter-market conditions. Tax risk is a form of basis risk.

Glossary of Terms (continued)

Counterparty Risk

Counterparty risk is the risk that the swap counterparty will not perform pursuant to the swap contract's terms, either in making regular payments or termination payments. Under a fixed payor swap, for example, if the counterparty defaults, Minnesota Housing could be exposed to unhedged variable rate bonds. The creditworthiness of the counterparty is indicated by its senior unsecured long-term credit rating. The outstanding swap agreements contain varying collateral requirements based on the respective parties' credit ratings and the fair value of the swaps to mitigate potential credit risk exposure.

Liquidity Risk

Issuers of VRDOs face liquidity risk due to the ability of holders of the bonds to tender them for purchase upon short notice. The bonds are to be remarketed by a remarketing agent appointed by the issuer, but if the remarketing were to fail, the liquidity facility provider providing liquidity support to cover tenders would be required to purchase the bonds. In such event, the bonds, known as "bank bonds," would bear interest at a higher "bank rate" and be subject to principal amortization over a much shorter period than their stated terms. The bank rate typically floats at a few percentage points higher than the prime rate. Because of turmoil in the financial markets, substantially fewer financial institutions are providing liquidity facilities and at a substantially higher cost. Consequently, at the expiration of a liquidity facility, Minnesota Housing may have difficulty obtaining a replacement liquidity facility or may have to pay substantially higher fees.

SIFMA

Securities Industry and Financial Markets Association.

SOFR

Secured Overnight Financing Rate.

Glossary of Terms (continued)

Tax Risk

All issuers who issue tax-exempt variable rate debt inherently accept risk arising from changes in marginal federal income tax rates. For variable rate tax-exempt bonds hedged with SOFR-based swaps, basis risk may be realized if changes in the federal tax code alter the historical relationship between taxable and tax-exempt short-term rates on which the swap was structured.

Termination Risk

Termination risk is the risk that the swap may be terminated as a result of any of events specified in the swap, which may include a ratings downgrade for Minnesota Housing or its counterparties, covenant violation by either party, bankruptcy of either party, swap payment default by either party, events of default under the bond resolution and certain specified termination events.

Upon a termination of the swap at fair value, a termination payment may be due by one party to the other based upon the fair value of the swap at the time (even if the payment is owed to the defaulting party). The potential termination risks to Minnesota Housing are the liability for a termination payment to the counterparty or the inability to replace the swap with favorable financial terms, in which event the variable rate bonds would no longer be hedged. Under its outstanding swaps, Minnesota Housing has the ability in certain circumstances to terminate the swap in whole or in part at par, rather than at fair value, in order to mitigate amortization risk.

VRDOs

Variable Rate Demand Obligations (“VRDOs”) are floating rate bonds that have a stated long-term maturity but bear interest at a short-term rate that is reset periodically (generally weekly). The holder of the bonds has the option to tender the bonds for purchase upon short notice (generally seven days). If the bonds cannot be remarketed by the remarketing agent, the liquidity facility provider (and not the issuer) is obligated to purchase the bonds.

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Item: First Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Information Item: 9.B
Date: 02/22/2024
Staff Contacts: John Patterson, 651.296.0763, john.patterson@state.mn.us
Request Type: No Action, Information

Request Summary

Staff are providing for the board's review the First Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

Fiscal Impact

None

Agency Priorities

- ☒ Improve the Housing System
- ☒ Preserve and Create Housing Opportunities
- ☒ Make Homeownership More Accessible
- ☒ Support People Needing Services
- ☒ Strengthen Communities

Attachments

- First Quarter 2024 Progress Report: 2024-2027 Strategic Plan and 2024-2025 Affordable Housing Plan

First Quarter 2024 Progress Report:

2024-2027 Strategic Plan and

2024-2025 Affordable Housing Plan

(Program Year October 1, 2023 through September 30, 2024)

This progress report has two sections:

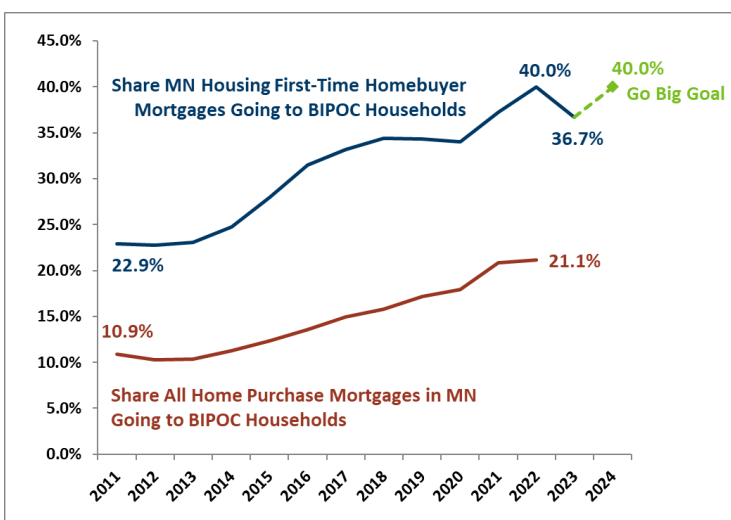
1. **Go Bigger Strategic Goals.** To track our progress in carrying out our 2024-2027 Strategic Plan, we have identified two priority areas for which we set strategic goals:
 - a. Share of first-time homebuyer mortgages going to Black, Indigenous and households of color
 - b. Share of new rental units that will be deeply affordable
2. **Forecast of Households and Housing Units to be Assisted.** To track our progress in implementing the 2024-2025 Affordable Housing Plan, we forecasted and now track the number of households and housing units that we expect to assist with funds awarded in program year 2024. This is a leading indicator of our program activity. For housing development programs, it can take two years from selecting projects for funding to disbursing of those funds when construction is carried out.

We have had a good start to program year 2024.

- We are nearly on track to meet our goal of 40% of our first-time homebuyer mortgages going to Black, Indigenous and households of color, achieving a rate of 39.1% through the first quarter. In addition, once we launch our First-Generation Homebuyer Assistance Program in the spring, we expect the percentage to increase. We estimate that roughly 80% of first-generation homebuyers are Black, Indigenous and people of color.
- With the Multifamily Consolidated RFP selections that occurred in December, we surpassed our goal of 50% of the new rental housing being deeply affordable, reaching 53%.
- While we still have work to do to create and launch a wide range of new programs, we are already going bigger. In 9 of our 11 ongoing, core program areas, we are ahead of where we were last year in terms of households assisted, and in some areas, substantially ahead. For example, after the first quarter, we have awarded funds to assist 1,920 manufactured home lots, compared to 734 last year at this time. After the first quarter, across all our core programs, we have awarded funds to assist 44,444 households, compared with 38,449 last year at this point, which is a 16% increase.

Strategic Goals

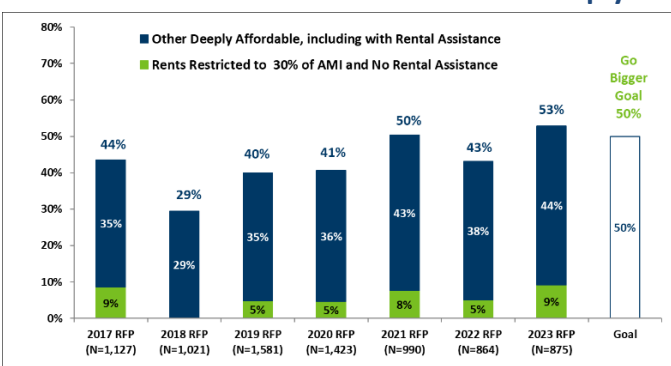
1. Share of First-Time Homebuyer Mortgages Going to Black, Indigenous and Households of Color



2024 Go Bigger Goal 40.0%
2024 Quarter 1 Actual 39.1%

After a few years of having 34% of our first-time homebuyer mortgages going to Black, Indigenous and households of color, we were able to break through and reach our 40% goal in 2022. This is significantly higher than the overall mortgage industry in Minnesota (21%). Because high interest rates and a very limited supply of affordable homes for sale created additional homebuying challenges, particularly for those facing the biggest barriers, our rate of lending to Black, Indigenous and households of color dropped in 2023, but we are hopeful that we can surpass 40% in 2024.

2. Share of New Rental Units that will be Deeply Affordable*



2024 (2023 RFP) Go Bigger Goal 50%
2024 (2023 RFP) Actual 53%

* Includes new construction and adaptive-reuse units: (1) with contract rents that are affordable to households with incomes at or below 30% of the area median income (AMI), (2) with rental assistance, including Housing Support, and/or (3) that are permanent supportive housing.

With the selections approved in December, 53% of the new construction and adaptive-reuse units are expected to be deeply affordable, and we surpassed our goal of 50%. Our ability to continue meeting this goal depends on the availability of Housing Infrastructure resources and rental assistance, including the Department of Human Services' Housing Support.

Forecast of Households and Housing Units to Be Assisted

The following table tracks our progress in reaching our 2024 activity forecasts by program area. For context and a comparison, it also provides the level we reached in 2023 after the first quarter.

Progress in Reaching Our Forecast of Households and Housing Units to be Assisted in 2024

		2024 Year-End Forecast	2024 Actual After One Quarter	Share of 2024 Forecast Reached After One Quarter	2023 Actual After One Quarter	Historical Share After One Quarter
1	Homebuying	7,242	1,005	14%	741	20%
2	Homebuyer Education and Coaching	8,282	1,924	23%	1,483	20%
3	Home Improvement Lending	1,259	337	27%	224	20%
4	Single Family Housing Development and Supports	1,754	1,314	75%	412	100%
5	Manufactured Housing and Communities	1,677	1,920	114%	734	100%
6	Other Single-Family Programs	372	0	0%	N/A	N/A
7	Rental New Construction	1,596	841	53%	864	85%
8	Rental Rehabilitation	5,270	780	15%	138	40%
9	Rental Refinance Only	65	37	57%	28	25%
10	State Rental Assistance and Operating Subsidies	3,853	1,982	51%	2,006	60%
11	Section 8 Contract Administration	29,500	29,916	101%	29,763	100%
12	Homeless Prevention and Other Supports	16,301	4,388	27%	2,056	30%
13	Other Multifamily Housing Programs	709	0	0%	N/A	N/A
14	Total for Core Programs	77,171	44,444	58%	38,449	68%
15	COVID-19 Housing Recovery	5,279	907	3,333	17%	25%
Note: These numbers reflect households or housing units to be assisted based on housing developments that have been selected for funding, the commitment of home mortgage and home improvement loans (net of cancellations), and the distribution of funds for rental assistance, operating subsidies, homebuyer education/coaching and homelessness prevention.						

With the additional funding provided by the 2023 Legislature, we appear to be behind our historical first-quarter benchmarks in reaching a specified share of our year-end forecasts. This is largely because it takes time to create and launch the new programs. Activity under our regular, ongoing programs is in line with historical expectations. As the new programs launch, we will report more activity, which will better align with the forecasted activity. Without historical data, our forecasts of new program activity are quite uncertain in terms of the timing and number of households assisted, and it is quite possible that we will be well over the forecasted level in some area and well under in other areas.

NOTES:

Lines 1: Even though we are only at 14% of the year-end forecast after the first quarter, we are right on track with expectations. This year's homebuying forecast includes not only our regular home mortgage lending (which will receive additional support this year with our new First Generation Homebuyer Assistance Program) but also includes the homebuying that our separate Community-Based First Generation Homebuyers Assistance program will support. While we will operate the first first-generation homebuyer program, Midwest Minnesota Community Development Corporation will operate the second one with funding from us. Both first-generation homebuying programs will launch this spring and increase the homebuying that we support. Even without the launch of those two new

programs, our home mortgage lending so far this year is well ahead of our lending last year at this point (1,005 versus 741 loans).

Lines 2: The homebuyer/owner education and counseling that we support is also ahead of last year's pace (1,924 versus 1,483 assisted households).

Line 3: Similarly, our home improvement lending is also ahead of last year (337 versus 224 loans).

Line 4: Typically, we have completed nearly all our single-family development activity after the first quarter with Impact Fund selections occurring in December; however, for this year, we still have funds available for the Workforce Affordable Homeownership Program and Homeownership Investment Grants to come. The Homeownership Investment Grants is a new program that will provide funding to nonprofit Community Development Financial Institutions (CDFIs) for affordable housing lending or financing, including new construction and rehabilitation.

Line 5: We have already exceeded our year-end forecast for manufactured housing and communities. Under the Manufactured Home Community Redevelopment Program, we supported more homes/lots than expected because the funding per home/lot was less than expected, which stretched the funds further. In addition, we are not done in this program area with funds still available for community acquisition and home purchases/renovations.

Line 6: This program area tracks the single-family portion of several miscellaneous new programs that are still in the process of being set up and launched. The new programs are Build Wealth's 9,000 Equities, Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants and Local Housing Aid Grants (Tier 2 Cities).

Line 7: With respect to rental new construction, we are slightly behind where we expected to be at this point, largely because the funding per unit under the Multifamily Consolidated RFP was 15% higher than expected. We are well behind our historical benchmark of reaching 85% of the year-end forecast after the first quarter because we still have our RFP for the Greater Minnesota Workforce Housing to occur later this year, and the funding for this program is much larger than a typical year. We expect this RFP to fund the construction of nearly 600 housing units, which gets us close to, but under, the year-end forecast.

Line 8: Even though we are at just 15% of the year-end forecast for rental rehabilitation, we are still on track to meet the forecast by the end of the year. While we have completed the funding selections under the Multifamily Consolidated RFP, we still need to complete the RFPs for both the Publicly Owned Housing Program and High-Rise Sprinkler Grants, which should add another 4,600 units.

Line 9: With respect rental refinancing, we are ahead of schedule, reaching 57% of the year-end forecast, when we are typically at 25% after the first quarter. These funds are available year-round, and activity is demand driven, which can lead to uneven activity over the course of a year and from year-to-year.

Line 10: Activity in our state-funded rental assistance and operating subsidy programs is in line with expectations. Most of the people receiving state-funded rental assistance in the first quarter will continue to do so, but the number of households assisted will increase as some housing vouchers turnover to new households. The housing units receiving operating subsidies will increase as more funds are disbursed. Finally, we are in the process of standing up our new Bring It Home rental assistance program, which could possibly launch by later summer. If it launches by the end of the program year, additional households will be assisted in 2024.

Line 11: The rental units receiving Project-Based Section 8 assistance in the first quarter will continue to receive assistance throughout the year. The number of households assisted is stable, with little change over time.

Line 12: Activity under homeless prevention and other supports is right in line with expectation.

Line 13: Just like line 6, this program area tracks several miscellaneous new programs, but the multifamily portion, that are in the process of being set up and launched. The new programs include Community Stabilization, Greater Minnesota Housing Infrastructure, Lead-Safe Homes, Local Housing Trust Fund Grants, Local Housing Aid Grants (Tier 2 Cities), and Grant to City of Minneapolis.

Line 14: We are on track to reach our overall forecast of households and housing units to be assisted through our regular/core programs – slightly ahead of expectations for some programs and behind for others. After the first quarter, we have typically reached 68% of the year-end forecast. This year, we are slightly behind that benchmark, largely because we have several new programs still to launch.

Line 15: In 2024, we are carrying out the last phases of the Emergency Rental Assistance (ERA) program to address housing hardships created by COVID-19. There are two components to this work. First, some of the funds were awarded in December for the rehabilitation of rental housing and are reflected in line 8. We are using the rest of the ERA funds to provide targeted rental assistance, which is captured in line 15. We hope to get all these funds awarded this year.