

*In the opinion of Greenberg Traurig, LLP, Bond Counsel to the Authority, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and certifications, and compliance with certain covenants intended to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, interest on the Series 2020 Bonds is excludable from the gross income of the holders thereof for Federal income tax purposes, except such exclusion does not apply to interest on any Series 2020 Bond for any period during which such Series 2020 Bond is held by a person who, within the meaning of Section 147(a) of the Code and the regulations thereunder, is a "substantial user" of the Project or a "related person" and except as described under "TAX MATTERS" herein. Interest on the Series 2020 Bonds is not an item of tax preference for purposes of calculating the Federal alternative minimum tax imposed upon individuals. Bond Counsel also is of the opinion that interest on the Series 2020 Bonds is exempt from taxation by the Government of Puerto Rico or of any political or municipal subdivision thereof, or by any state, territory, or possession, or by any county, municipality, or other municipal subdivision of any state, territory, or possession of the United States of America, or by the District of Columbia. See "TAX MATTERS" for additional information.*

**\$249,155,000**

**PUERTO RICO HOUSING FINANCE AUTHORITY  
Capital Fund Modernization Program Refunding Bonds  
(Puerto Rico Public Housing Projects),  
Series 2020**

**Dated:** Date of Delivery

**Due:** December 1, as shown on inside cover page

The Puerto Rico Housing Finance Authority (the "Authority") will issue its Capital Fund Modernization Program Refunding Bonds (Puerto Rico Public Housing Projects), Series 2020 (the "Series 2020 Bonds") under a Trust Indenture, dated as of October 1, 2020, (the "Indenture"), between the Authority and The Bank of New York Mellon (the "Trustee"). The proceeds of the Series 2020 Bonds will be loaned to the Puerto Rico Housing Administration ("PRPHA") pursuant to a Loan Agreement between the Authority and PRPHA. The proceeds of the Series 2020 Bonds will be used to (i) redeem the Puerto Rico Housing Finance Authority Capital Fund Program Bonds (Puerto Rico Public Housing Projects), Series 2003 (the "Series 2003 Bonds") and the Puerto Rico Housing Finance Authority Capital Fund Modernization Program Subordinated Bonds (Puerto Rico Public Housing Projects) Series 2008 (the "Series 2008 Bonds", and collectively with the Series 2003 Bonds, the "Prior Bonds"); subject to the limitations and provisions contained in Act No. 103 of August 11, 2001, as amended (the "Act"), and the Indenture; and (ii) pay certain costs of issuance of the Series 2020 Bonds.

**PRPHA'S OBLIGATION TO MAKE REPAYMENTS UNDER THE LOAN AGREEMENT IS SECURED BY AND PAYABLE SOLELY FROM PRPHA'S ANNUAL ALLOCATION OF PUBLIC HOUSING CAPITAL FUNDS (THE "CAPITAL FUND ALLOCATIONS") WHEN RECEIVED FROM THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD"), WHICH CAPITAL FUND ALLOCATIONS WILL BE TRANSFERRED DIRECTLY BY HUD TO THE TRUSTEE TO THE EXTENT NECESSARY TO PAY DEBT SERVICE ON THE SERIES 2020 BONDS, SUBJECT TO AVAILABILITY OF ANNUAL APPROPRIATIONS BY THE CONGRESS OF THE UNITED STATES OF AMERICA. See "APPENDIX D – ACC FINANCING AMENDMENT."**

The Series 2020 Bonds will be issued only in book-entry form in denominations of \$5,000 stated principal amount or any integral multiple thereof, registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York, acting as Securities Depository for the Series 2020 Bonds. Interest on and principal of the Series 2020 Bonds will be payable by the Trustee to Cede & Co., as nominee of DTC. Beneficial Owners of Series 2020 Bonds will not receive physical delivery of bond certificates representing their ownership of Series 2020 Bonds. The Series 2020 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein. See "APPENDIX E – DTC AND BOOK-ENTRY SYSTEM."

The Series 2020 Bonds will bear interest from their date of issuance at the per annum rates set forth on the inside cover page of this Official Statement, payable on December 1, 2020, and on each June 1 and December 1 thereafter. The Series 2020 Bonds are payable in full on their respective stated maturity dates. The Series 2020 Bonds are subject to redemption prior to maturity as described herein.

**The principal and Redemption Price of, if any, and interest on the Series 2020 Bonds are limited obligations of the Authority, a public corporation and independent governmental instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), and a subsidiary of the Government Development Bank for Puerto Rico ("GDB"), payable solely from the Capital Fund Allocations assigned by PRPHA to the Trustee and other funds available under the Indenture. The Series 2020 Bonds do not constitute a debt, obligation or pledge of the full faith and credit of the Commonwealth or any of its instrumentalities or political subdivisions (other than the Authority from the sources described herein), and neither the Commonwealth nor any of its instrumentalities or political subdivisions shall be liable for the payment thereof. The Series 2020 Bonds shall not be payable out of any funds of the Authority other than those held under the Indenture and pledged therefor. The Authority has no taxing power. The Series 2020 Bonds are not a debt or liability of, or guaranteed by, HUD or the United States of America.**

*The Series 2020 Bonds are offered by the Underwriters when, as and if issued by the Authority and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by Greenberg Traurig, LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire Patton Boggs (US) LLP, Washington, DC. Certain legal matters will be passed upon for PRPHA by its Special HUD Counsel, Ballard Spahr LLP, Baltimore, Maryland and by Cancio, Nadal & Rivera L.L.C., counsel for PRPHA. It is expected that the Series 2020 Bonds will be delivered through the facilities of DTC on or about October 13, 2020.*

**Goldman Sachs & Co. LLC**

**J.P. Morgan**

**Popular Securities**

**\$249,155,000**  
**PUERTO RICO HOUSING FINANCE AUTHORITY**  
**Capital Fund Modernization Program Refunding Bonds**  
**(Puerto Rico Public Housing Projects),**  
**Series 2020**

**Maturity Schedule**

<b>Maturity (December 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price or Yield</b>	<b>CUSIP*</b>
2020	\$ 28,840,000	5.000%	100.628%	74526LEX7
2021	29,295,000	5.000	0.55	74526LEY5
2022	30,800,000	5.000	0.61	74526LEZ2
2023	32,375,000	5.000	0.67	74526LFA6
2024	29,435,000	5.000	0.77	74526LFB4
2025	30,945,000	5.000	0.89	74526LFC2
2026	32,530,000	5.000	1.05	74526LFD0
2027	34,935,000	5.000	1.21	74526LFE8

\* The CUSIP is a registered trademark of the American Bankers Association (“ABA”). The CUSIP Numbers are included solely for the convenience of the readers of this Official Statement, only at the time of issuance of the Series 2020 Bonds and the Authority makes no representation with respect to such number and undertakes no responsibility for its accuracy now or at any time in the future. CUSIP data herein is provided by CUSIP Global Services, operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. The CUSIP numbers are subject to being changed after the issuance of the Series 2020 Bonds as a result of various actions including, but not limited to the refunding in whole or in part of the Series 2020 Bonds.

**TABLE OF CONTENTS**

	<b>PAGE</b>
INTRODUCTION .....	1
THE AUTHORITY .....	3
THE COMMONWEALTH AND PROMESA.....	5
The Commonwealth’s Economy Decline .....	5
Enactment of PROMESA .....	5
Main Components of PROMESA.....	6
The Oversight Board.....	6
Certification of Fiscal Plans and Budgets.....	8
THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO, THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY AND THEIR RELATIONSHIP TO THE AUTHORITY .....	9
The Government Development Bank for Puerto Rico.....	9
The Puerto Rico Fiscal Agency and Financial Advisory Authority .....	9
The Authority’s Relationship to GDB .....	9
PUERTO RICO PUBLIC HOUSING ADMINISTRATION.....	10
PUBLIC HOUSING PORTFOLIO .....	12
Ownership of Properties and Obligation of PRPHA .....	12
Hurricanes Irma and Maria .....	13
Damage and Repairs Resulting from the Hurricanes.....	13
Earthquakes of 2019 and 2020.....	14
Damage and Repairs Resulting from the Earthquakes .....	15
COVID-19 Pandemic.....	15
Planning for Portfolio .....	16
PLAN OF REFUNDING .....	16
SOURCES AND USES OF FUNDS.....	17
THE SERIES 2020 BONDS.....	17
General.....	17
Redemption Provisions .....	18
SECURITY FOR THE SERIES 2020 BONDS .....	20
Pledge of Trust Estate .....	20
Capital Fund Allocations .....	20
ANNUAL DEBT SERVICE REQUIREMENTS.....	22
Debt Service.....	22
Projected Debt Service Coverage .....	22

## TABLE OF CONTENTS (CONTINUED)

	Page
Debt Service Reserve Fund.....	23
<b>CAPITAL FUND PROGRAM.....</b>	<b>23</b>
Public Housing Program.....	23
Establishment of the Capital Fund Program.....	25
Capital Fund Authorization and Appropriations by Congress.....	25
COVID-19.....	27
Withholding of Capital Funds.....	27
Safe Harbor.....	28
Capital Fund Financing Program.....	29
HUD Approval Letter.....	29
ACC Financing Amendment.....	29
<b>BONDHOLDERS' RISKS.....</b>	<b>29</b>
General.....	30
Failure of Congress to appropriate Funds under the Capital Fund Program.....	30
Delay, Reduction or Elimination of Appropriations.....	30
Withholding of Capital Funds; Recapture of Funds.....	31
Termination of Capital Fund Program.....	32
Change in Allocation Formula.....	32
Reduction in Allocation.....	33
Other Changes in Law or Regulations.....	33
HUD Administrative Sanctions.....	33
Federal Budget Delays.....	34
No Acceleration or Redemption upon Loss of Tax Exemption.....	34
Effect of Federal Sequestration.....	34
Recent Capital Fund Appropriations.....	35
Extraordinary Redemption.....	36
No Mortgage or Lien on Projects.....	36
No Acceleration upon Default.....	36
Enforceability against HUD.....	36
Enforceability of Remedies.....	36
Commencement of a Proceeding under Title III of PROMESA.....	37
COVID-19.....	37
Potential Impact of Other Local, National or Global Economic Events.....	38
<b>TAX MATTERS.....</b>	<b>38</b>
Opinion of Bond Counsel.....	38
Original Issue Premium.....	39
Commonwealth, State and Local Tax Treatment of the Series 2020 Bonds.....	39
Changes in Federal and State Tax Law.....	40
Information Reporting and Backup Withholding.....	40
<b>UNDERWRITING.....</b>	<b>41</b>
<b>LEGAL INVESTMENT.....</b>	<b>42</b>

## TABLE OF CONTENTS (CONTINUED)

	Page
LITIGATION.....	42
LEGAL MATTERS.....	42
RATING .....	43
CONTINUING DISCLOSURE.....	43
MISCELLANEOUS .....	45

### **APPENDICES**

APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	A1-A39
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.....	B1-B3
APPENDIX C - HUD APPROVAL LETTER.....	C1
APPENDIX D - ACC FINANCING AMENDMENT .....	D1
APPENDIX E - FORM OF BOND COUNSEL OPINION .....	E1-E6
APPENDIX F - DTC AND BOOK-ENTRY SYSTEM.....	F1-F4
APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT.....	G1-G8

No dealer, broker, sales representative or other person has been authorized by the Authority, PRPHA, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) or Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Popular Securities (the “Underwriters”) to give any information or to make any representations with respect to the Series 2020 Bonds, other than those contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020 Bonds, by any person in any jurisdiction in which such offer, solicitation or sale it is unlawful, not authorized or in which such person to make such offer, solicitation or sale is not qualified to do so, or to any person to whom it is unlawful to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Authority, PRPHA, or AAFAF since the date hereof.

The information set forth herein, including the cover page hereof, has been obtained from the Authority, PRPHA, AAFAF and other sources which are believed to be reliable. This Official Statement speaks only as of its date, and the information herein is subject to change without notice, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Summaries and explanations in this Official Statement of the Indenture, the Loan Agreement, provisions of laws, resolutions, the Series 2020 Bonds, the HUD Approval Letter, the ACC Financing Amendment and other documents, are provided for informational purposes and do not purport to be current, complete, or up-to-date and should in no way be taken as an indication of the exact content of the primary source. Reference is made to said laws, resolutions, indentures, the Series 2020 Bonds, and other documents for full and complete statement of their provisions and content. Copies of the above are available for inspection at the offices of AAFAF or the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed as any determination of relevance, materiality or importance, and all material in the Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances will the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, PRPHA, AAFAF or the Commonwealth have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF

COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2020 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION, THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

[THIS PAGE INTENTIONALLY LEFT BLANK]



## **OFFICIAL STATEMENT**

**\$249,155,000**

**PUERTO RICO HOUSING FINANCE AUTHORITY  
Capital Fund Modernization Program Refunding Bonds  
(Puerto Rico Public Housing Projects),  
Series 2020**

### **INTRODUCTION**

This Official Statement of the Puerto Rico Housing Finance Authority (the “Authority”) sets forth certain information in connection with the sale by the Authority of its Capital Fund Modernization Program Refunding Bonds (Puerto Rico Public Housing Projects), Series 2020 (the “Series 2020 Bonds”). The Series 2020 Bonds will be issued in the aggregate principal amount of \$249,155,000 pursuant to a resolution adopted by the Board of Directors of the Authority and a Trust Indenture, dated as of October 1, 2020 (the “Indenture”), between the Authority and The Bank of New York Mellon, as Trustee (the “Trustee”). See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The Series 2020 Bonds are expected to be delivered on the date set forth on the cover page. The proceeds of the Series 2020 Bonds will be applied to (i) redeem the outstanding Puerto Rico Housing Finance Authority Capital Fund Program Bonds (Puerto Rico Public Housing Projects) Series 2003 (the “Series 2003 Bonds”) and the outstanding Puerto Rico Housing Finance Authority Capital Fund Modernization Program Subordinated Bonds (Puerto Rico Public Housing Projects) Series 2008 Bonds (the “Series 2008 Bonds” and, together with the Series 2003 Bonds, the “Prior Bonds”), and (ii) pay certain costs of issuance of the Series 2020 Bonds.

The Authority is a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the “Commonwealth”), created as a subsidiary of the Government Development Bank for Puerto Rico (“GDB”) in accordance with Act No. 17 of September 23, 1948, as amended (the “GDB Enabling Act”), legally independent and separate from GDB and the Commonwealth, with responsibility for financing the construction, reconstruction, improvement, alteration and repair of decent, safe, sanitary and affordable housing projects for persons with low-income. The Authority is authorized to issue and sell notes and bonds to finance its activities. See “THE AUTHORITY.”

The Authority will issue the Series 2020 Bonds to lend the proceeds thereof to the Puerto Rico Housing Administration (“PRPHA”), a governmental instrumentality of the Commonwealth, pursuant to the terms of a Loan Agreement, dated as of October 1, 2020 (the “Loan Agreement”) between the Authority, the Trustee and PRPHA. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT.” PRPHA will cause such proceeds to be (i) deposited in a special trust account held by the trustee for the Prior Bonds to apply all cash and securities held therein to redeem the Prior Bonds; and (ii) applied to pay certain costs of issuance of the Series 2020 Bonds.

PRPHA's obligation to make repayments under the Loan Agreement is secured by and payable from PRPHA's annual allocations of Capital Funds (the "Capital Fund Allocations"), when received from the United States Department of Housing and Urban Development ("HUD").

The Public Housing Capital Fund Program (the "Capital Fund Program") administered by HUD provides annual capital grants (the "Capital Funds") to public housing authorities, such as PRPHA, to construct, modernize, renovate and rehabilitate public housing developments. The Capital Fund Allocations payable to PRPHA pursuant to the Capital Fund Program are subject to the availability of annual appropriations for such purposes by the Congress of the United States of America ("Congress"). See "CAPITAL FUND PROGRAM."

**The Series 2020 Bonds will be paid exclusively from (i) the Capital Fund Allocations, assigned by PRPHA to the Trustee, and (ii) other funds available for such purposes under the Indenture. In accordance with the HUD Approval Letter (as defined below), HUD has agreed to transfer such Capital Fund Allocations directly to the Trustee to pay debt service on the Series 2020 Bonds, subject to the availability of annual appropriations by Congress.**

HUD has approved the issuance of the Series 2020 Bonds subject to certain conditions, and authorized PRPHA to pledge and assign its Capital Fund Allocations to the extent necessary to the pay Bond Debt Service on the Series 2020 Bonds pursuant to a letter from HUD to PRPHA (the "HUD Approval Letter"). See "APPENDIX C – HUD APPROVAL LETTER." PRPHA receives funding from HUD pursuant to an Annual Contributions Contract (the "ACC"). HUD and PRPHA have entered into a Capital Fund Financing Amendment to the ACC (the "ACC Financing Amendment"), which provides generally for the use by PRPHA of its Capital Fund Allocations to pay principal of and interest on the Series 2020 Bonds. PRPHA's rights in the Capital Fund Allocations will be assigned to the Trustee pursuant to the Loan Agreement and the Indenture to the extent necessary to pay Bond Debt Service on the Series 2020 Bonds. See "APPENDIX D – ACC FINANCING AMENDMENT."

Brief descriptions of the Authority, the security for the Series 2020 Bonds, including PRPHA's Capital Fund Allocations, the Series 2020 Bonds, the Indenture, the HUD Approval Letter and the ACC Financing Amendment are included in this Official Statement. All references herein to the Indenture, the HUD Approval Letter, the ACC Financing Amendment, provisions of laws and other documents and agreements are qualified in their entirety by references to such documents and agreements, copies of which are available for inspection at the offices of the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") or the Trustee.

**The principal and Redemption Price of, if any, and interest on the Series 2020 Bonds are limited obligations of the Authority. The Series 2020 Bonds do not constitute a debt, obligation or pledge of the full faith and credit of the Commonwealth or any of its instrumentalities or political subdivisions (other than the Authority from the sources described herein), and neither the Commonwealth nor any of its instrumentalities or political subdivisions shall be liable for the payment thereof.**

**The Series 2020 Bonds shall not be payable out of any funds of the Authority other than those held under the Indenture and pledged therefor. The Authority has no taxing power.**

**THE SERIES 2020 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, HUD OR THE UNITED STATES OF AMERICA.**

Capitalized terms not defined elsewhere in this Official Statement are defined in Appendix A.

**THE AUTHORITY**

The Authority is a public corporation and governmental instrumentality of the Commonwealth. Previously known as the Puerto Rico Housing Finance Corporation, the Authority was created as a subsidiary of GDB pursuant to Resolution No. 4023, adopted by the Board of Directors of GDB on November 16, 1977, in accordance with the GDB Enabling Act. Subsidiaries of GDB, by virtue of the powers conferred in the GDB Enabling Act, are governmental instrumentalities of the Commonwealth, legally independent of and separate from GDB. Pursuant to Act No. 103 of August 11, 2001, as amended (the “Act”), the Legislature of the Commonwealth transferred to the Authority all rights and functions of the Puerto Rico Housing Bank and Finance Agency and gave the Authority its current name.

The Authority provides financing for rental housing units, stimulates the construction industry under federally subsidized programs and provides interim and permanent financing for low-income housing projects and single-family homeownership programs. The Authority is also authorized to issue notes and bonds to achieve its corporate purposes and to grant direct loans, insure loans and purchase loans, including mortgage-backed-securities, from private lenders for the construction, improvement, reconstruction, rehabilitation, enlargement or repair of affordable housing projects for persons and families of low-income. The Authority is exempt from the payment of any taxes on its revenues and properties.

On September 30, 2016, the Authority was designated by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) as a Covered Territorial Instrumentality (as defined below) and is therefore subject to the requirements of PROMESA (as defined below). As a Covered Territorial Instrumentality, for so long as the Oversight Board remains in existence, pursuant to Section 207 of PROMESA, the Authority must obtain approval from the Oversight Board for the issuance of any bonds, including the Series 2020 Bonds. The Oversight Board approved the issuance of the Series 2020 Bonds on July 24, 2020.

The Authority is currently not part of any legal proceeding commenced under Title III of PROMESA, has no desire or need to effect a plan to adjust its debts under Title III of PROMESA or undertake a Qualifying Modification (as defined below) under Title VI of PROMESA, and is not otherwise a “debtor” or an “authorized territorial instrumentality” in any completed or ongoing restructuring process under Title III or Title VI of PROMESA. See “THE COMMONWEALTH AND PROMESA.”

As provided by the Act, the Board of Directors of the Authority consists of two *ex officio* members consisting of the Secretary of Housing, who serves as its President, and the Chairperson of the Board of Directors of GDB, and five additional members appointed by the Governor of the Commonwealth, three of which must be members of the Board of Directors of GDB and two of which must be private sector members. Pursuant to Act No. 2 of January 18, 2017, the Executive

Director of AAFAF, or his representative, shall be a member of every board of directors, committee, commission or council of the instrumentalities of the Commonwealth that are designated as Covered Territorial Instrumentalities. Currently, there are five vacancies on the Board of Directors of the Authority, consisting of the three members of the Board of Directors of GDB and the two private sector members.

The current members of the Board of Directors of the Authority are:

<u>Name</u>	<u>Position</u>	<u>Term</u>	<u>Occupation</u>
Luis Carlos Fernández-Trinchet	President	Indefinite	Secretary of Housing
Omar J. Marrero	Member	Indefinite	Vice-Chairperson of the Board of Directors of the GDB
Alfredo Guerra Estevanell	Member	Indefinite	Representative of the Executive Director of AAFAF

The principal officers of the Authority are the following:

*President.* Luis Carlos Fernández Trinchet, Esq., CFA. Mr. Fernández Trinchet was appointed Secretary of the Puerto Rico Department of Housing (“DOH”) in February 2020, after serving as President of the Economic Development Bank for Puerto Rico and Executive Director of the Authority from August 2019 to February 2020. Prior to these appointments, Mr. Fernández Trinchet held several positions as Advisor to the Executive Director of the Authority from April 2019 to August 2019; as Special Assistant to the Secretary of the DOH from 2018 to 2019; Director, Business Area (HOME, PBCA, Financing/Tax Credit) Director of Financing & Tax Credit Department at PRPHA from 2008 to 2018. From 2002 to 2008, Mr. Fernández Trinchet worked as an attorney in private practice. From 1998 to 2002, he served as Senior Vice President and Executive Trust Officer of Banco Santander de Puerto Rico and from 1988 to 1998, worked at the Trust Division of Banco Popular de Puerto Rico. Mr. Fernández Trinchet has a bachelor’s degree in Business Administration from the University of Puerto Rico, Río Piedras Campus, a master’s degree in Business Administration (MBA) from the University of Rochester, a Juris Doctor degree from the University of Puerto Rico Law School, and a Chartered Financial Analyst qualification since 1999 from the CFA Institute.

*Executive Director.* Pablo G. Muñoz-Reyes, CPA, CGMA. Mr. Muñoz-Reyes was appointed Executive Director of the Authority in February 2020, after serving as Deputy Executive Director since October 2018. Prior to re-joining the Authority, Mr. Muñoz-Reyes worked as Undersecretary of Administration of the Puerto Rico Department of Education, as President, Servicing Comptroller and PR Human Resources for Sun West Financial Services International, Inc. From March 2010 to December 2013, he worked for the Authority as Accounting, Finance

and Risk Management Director, as Deputy Executive Director in the Business Area, and as HOME Program Director. He also worked at CPA Pablo G. Muñoz Reyes, Mocoroa & Castellanos, Inc., Prann Engineers, the Polytechnic University of Puerto Rico and Turner Caribe. He holds a bachelor's degree in Science in Business Administration with a major in Accounting from the University of Puerto Rico, Mayagüez Campus, and a master's degree in Engineering Management from the Polytechnic University of Puerto Rico. Mr. Muñoz-Reyes is a Certified Public Accountant.

*Chief Legal Counsel.* Gretel M. Cathiard-Alzola, Esq. Ms. Cathiard-Alzola was appointed as General Legal Counsel of the Executive Director of the Authority in January 2020, after serving as General Legal Counsel of the Economic Development Bank for Puerto Rico since August 2019. Previously, Ms. Cathiard-Alzola worked as Director of the Legal Division and as Special Assistant of the Puerto Rico Department of Education. She also served in the Justice Department in the Litigations Division, as Director of the Office of Legal Affairs of the Administration for the Integral Child Care and Development and as Law Clerk for Justice Rafael Martínez Torres at the Puerto Rico Court of Appeals. Ms. Cathiard-Alzola has a bachelor's degree in International Relations from Boston University, College of Arts and Science, and a Juris Doctor degree from the Interamerican University of Puerto Rico School of Law.

The Authority's mailing address is P.O. Box 71361, San Juan, Puerto Rico 00936-8461.

## **THE COMMONWEALTH AND PROMESA**

### **The Commonwealth's Economy Decline**

Over the last several decades, a multitude of factors have contributed to the steep economic downturn of the Commonwealth and its instrumentalities, including a contracting economy, population decline, and changes in tax status and available credits under the Internal Revenue Code of 1986, as amended (the "Code"). Despite various measures undertaken in recent years to stimulate economic growth, reduce government expenses, and increase revenues, the Commonwealth has been unable to spur economic growth. This is mainly due to years of economic recession, recurring budget deficits, the financing of recurrent expenses with long-term debt, the failure to adequately fund legacy obligations such as pensions and the devastation caused by recent natural disasters.

The Commonwealth's balance sheet deterioration, combined with continued structural imbalances between revenues and expenditures and the Commonwealth's inability to access the capital markets after 2014, resulted in the Commonwealth and certain of its instrumentalities becoming unable to make scheduled debt payments while continuing to provide government services.

### **Enactment of PROMESA**

Due to the Commonwealth's economic decline, and persistent fiscal challenges, on June 30, 2016, the President of the United States of America signed into law legislation passed by Congress, the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), 48 U.S.C. § 2101 et seq., to work toward a remedy to the ongoing fiscal and humanitarian crisis in Puerto Rico. The stated goal of PROMESA is to meet Puerto Rico's immediate need to provide

its citizens effective services, to formulate an orderly debt restructuring, and to implement fiscal reform leading to a sustainable economy, fiscal responsibility, and market access.

Title VII of PROMESA expresses the sense of Congress that any durable solution for Puerto Rico's fiscal economic crisis should include permanent, pro-growth fiscal reforms that feature among other elements, a free flow of capital between US territories and the rest of the United States of America.

## **Main Components of PROMESA**

PROMESA establishes two primary mechanisms for restoring fiscal responsibility. First, Titles I, II, IV, and V of PROMESA create the Oversight Board and provide the Oversight Board with powers and duties governing the review and certification of multi-year fiscal plans, annual budgets, infrastructure revitalization, and fast-tracking key infrastructure projects. Second, Titles III and VI of PROMESA provide for debt restructurings, similar to bankruptcy cases and out-of-court restructurings, respectively, for the Commonwealth and its instrumentalities.

The alternate out-of-court restructuring process set forth in Title VI of PROMESA is conditioned on voting thresholds and necessary approvals from the Oversight Board, which include the designation of a Covered Territorial Instrumentality as an "authorized territorial instrumentality" eligible to avail itself of the procedures of said title, and the U.S. District Court for the District of Puerto Rico, which include entering an order finding that the requirements of the title have been satisfied.

By incorporating many provisions of Title 11 of the United States Code (the "Bankruptcy Code") into Title III of PROMESA, which provides for restructurings similar to restructurings under chapters 9 and 11 of the Bankruptcy Code, the statute protects the Commonwealth and its instrumentalities, qualifying as "debtors" under PROMESA, from creditor debt-enforcement actions that otherwise could extract billions of dollars from the Commonwealth and inflict irreparable damage on the Commonwealth's economy.

Eligibility for a governmental entity to be a "debtor" under Title III of PROMESA is conditioned on the satisfaction of the following requirements, as set forth in Section 302 of PROMESA: (i)(a) the entity is a territory of the United States of America that has requested the establishment of an Oversight Board or has had an Oversight Board established for it by Congress, or (b) a Covered Territorial Instrumentality of a territory of the United States of America; (ii) the entity desires to effect a plan to adjust its debts; and (iii) the Oversight Board has issued a restructuring certification for such entity in accordance with Section 206 of PROMESA determining that (a) prior good-faith efforts were made with creditors to restructure the debt, (b) the entity's audited financial statements are publicly available and (c) the entity previously adopted a fiscal plan. The Oversight Board is the sole representative of any debtor entity in a Title III case, with the authority to propose a plan of adjustment to the U.S. District Court for the District of Puerto Rico.

## **The Oversight Board**

PROMESA established the Oversight Board as an independent entity within the territorial government of the Commonwealth, which shall not be considered to be a department, agency,

establishment, or instrumentality of the Federal Government. The Oversight Board is statutorily charged with restoring to the Commonwealth fiscal responsibility and capital market access.

Under PROMESA, the Oversight Board consists of seven voting members appointed by the President of the United States of America from a bipartisan list of nominees and a non-voting ex officio member appointed by the Governor of the Commonwealth. The appointment process for the seven voting members was challenged by a group of creditors of the Commonwealth and validated on June 1, 2020 by the Supreme Court of the United States of America in the case of Financial Oversight and Management Board for Puerto Rico v. Aurelius Investment, No. 18-1334. Each member of the Oversight Board serves a three-year term without any compensation and may be appointed to an unlimited number of consecutive terms. When a term expires, members serve until replaced. The terms of the initial seven voting members of the Oversight Board expired on August 31, 2019 and since no new appointments were made at that time, the members continued to serve in their respective positions in accordance with PROMESA. As of this date, two members and the Chairman of the Oversight Board resigned from their respective positions. The resignation of the two members became effective as of August 31, 2020, and the resignation of the Chairman of the Oversight Board will become effective on October 5, 2020.

Under the Bylaws of the Oversight Board, a majority of the members of the Oversight Board constitutes a quorum for the purpose of conducting business and for all other purposes. All actions of the Oversight Board shall be taken by an affirmative vote of no fewer than four members, except the appointment or removal by the Chairman of an Executive Director and a General Counsel, which requires the consent of no fewer than four other members, and the issuance of a restructuring certification, which requires the affirmative vote of no fewer than five members. In the event the number of appointed members of the Oversight Board is at any time five or less, any act to be taken shall require a majority of the Oversight Board's appointed members, except that the appointment or removal by the Chairman of an Executive Director and a General Counsel shall require in that case the affirmative vote of no fewer than three other members.

Under PROMESA, the Oversight Board is granted authority to, among other things, (i) review and certify fiscal plans and budgets for the Commonwealth and its instrumentalities designated by the Oversight Board to be subject to the requirements of PROMESA ("Covered Territorial Instrumentalities"), and (ii) represent the Commonwealth and its Covered Territorial Instrumentalities in any cases commenced under Title III of PROMESA. The Oversight Board is authorized to designate, in its sole discretion, which instrumentalities of the Commonwealth are deemed to be Covered Territorial Instrumentalities under PROMESA. The Oversight Board has designated the Authority as a Covered Territorial Instrumentality.

The Oversight Board also has the authority to review any of the contracts, rules, regulations and orders of the Commonwealth and its Covered Territorial Instrumentalities for their economic impact on the certified fiscal plans and budgets. Section 207 of PROMESA also provides that the Commonwealth and its Covered Territorial Instrumentalities may not issue debt or guarantee, exchange, modify, repurchase, redeem, or enter into similar transactions with respect to its debt, without the approval of the Oversight Board, for so long as the Oversight Board remains in operation. The Oversight Board has approved the issuance of the Series 2020 Bonds.

In accordance with Section 204(d) of PROMESA, in taking actions under PROMESA, the Oversight Board shall not exercise applicable authorities to impede actions by the Commonwealth and its instrumentalities taken to (i) comply with a court-issued consent decree or injunction, or an administrative order or settlement with a Federal agency, with respect to Federal programs; (ii) implement a federally authorized or federally delegated program, including the Capital Fund Program; (iii) implement territorial laws, which are consistent with a certified fiscal plan and otherwise satisfy Federal requirements and standards; and (iv) preserve and maintaining federally funded mass transportation assets.

The Oversight Board will continue in existence until the Oversight Board certifies that: (i) the Commonwealth has adequate access to short-term and long-term capital markets at reasonable interest rates to meet its borrowing needs; and (ii) for at least four consecutive fiscal years (a) the Commonwealth has developed its budgets in accordance with modified accrual accounting standards, and (b) the expenditures made by the Commonwealth during each such fiscal year did not exceed its revenues during that year, as determined in accordance with modified accrual accounting standards.

### **Certification of Fiscal Plans and Budgets**

PROMESA governs the development, certification and enforcement of fiscal plans and budgets for the Commonwealth and its Covered Territorial Instrumentalities. Such fiscal plans and budgets provide a framework for achieving fiscal responsibility and access to the capital markets. Fiscal plans are intended to be short-term and long-term planning tools, covering a period of at least five fiscal years, while budgets cover at least one fiscal year. Budgets must be consistent with the fiscal plan then in effect.

PROMESA grants the Oversight Board the power to develop and certify its own fiscal plans and budgets if the government of the Commonwealth does not provide it with a proposed fiscal plan or budget it determines to certify.

Since the enactment of PROMESA, the Oversight Board has certified seven fiscal plans for the Commonwealth and has certified the Commonwealth's budgets for fiscal years 2018, 2019, 2020 and 2021. The fiscal plan for the Commonwealth in effect as of the date of this Official Statement was certified by the Oversight Board on May 27, 2020 (the "2020 Certified Fiscal Plan"). On June 30, 2020, the Oversight Board certified the fiscal year 2021 consolidated budget for the Commonwealth.

Generally, the Commonwealth's internal revenues (primarily revenues from taxes, fees and charges) as well as revenues from inter-governmental sources (primarily federal funds) are deposited in the Commonwealth's centralized cash management system (the "Treasury Single Account" or "TSA"). While other federal funds are transferred into the TSA, the Capital Fund Allocations are completely managed outside of the TSA and all other accounts or funds held by the Commonwealth and any of its instrumentalities or political subdivisions. As such, the Capital Fund Allocations are not included in the 2020 Certified Fiscal Plan as part of the revenue forecast and financial projections of the Commonwealth, even though the Authority is covered by such fiscal plan.



# **THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO, THE PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY AND THEIR RELATIONSHIP TO THE AUTHORITY**

## **The Government Development Bank for Puerto Rico**

GDB is a public corporation and governmental instrumentality of the Commonwealth, which was created by the Legislature of the Commonwealth in 1948 to aid the government of the Commonwealth in performing its fiscal duties. Historically, its principal functions were to: (i) act as fiscal agent, paying agent and financial advisor to the Commonwealth and its instrumentalities and political subdivisions, (ii) provide interim and long-term financing to the Commonwealth and its instrumentalities and political subdivisions, and to private parties for economic development and (iii) act as depository of funds for the Commonwealth and its instrumentalities and political subdivisions.

In 2016, Act No. 21 of April 6, 2016, known as the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act (the “Moratorium Act”) was enacted. Under the Moratorium Act, AAFAF was created for the purpose of assuming GDB’s duties as fiscal agent, financial advisor and reporting agent to the Commonwealth and its instrumentalities and political subdivisions.

On May 15, 2017, AAFAF, GDB and certain other creditors of GDB entered into a GDB Restructuring Support Agreement (the “GDB RSA”) to effectuate a consensual out-of-court restructuring of certain of GDB indebtedness through Title VI of PROMESA (the “Qualifying Modification”). On May 8, 2018, the Oversight Board certified the GDB RSA, as amended, and upon the entry of an order by the U.S. District Court for the District of Puerto Rico, the Qualifying Modification became effective, valid and binding as of November 29, 2018.

Currently, GDB’s role is limited to serving as agent to collect on its loan portfolio and disbursing deposits pursuant to strict priority guidelines.

## **The Puerto Rico Fiscal Agency and Financial Advisory Authority**

AAFAF is a public corporation and instrumentality of the Commonwealth created by the Moratorium Act for the purpose of assuming GDB’s role as fiscal agent, financial advisor and reporting agent to the Commonwealth and its instrumentalities and political subdivisions, including the Authority. In accordance with its statutory responsibilities, AAFAF has acted as financial advisor to the Authority in connection with the issuance of the Series 2020 Bonds and approved the issuance of the Series 2020 Bonds on June 17, 2020.

## **The Authority’s Relationship to GDB**

The Authority was created as independent and separate subsidiary of GDB in 1977. See “THE AUTHORITY.” As a result of the Qualifying Modification and the completion of GDB restructuring under Title VI of PROMESA, a draft bill is being assessed to formally separate GDB from its subsidiaries and affiliates, including the Authority. In the case of the Authority, such legislation, if enacted, is expected to eliminate the references in the Act to GDB or the GDB Board of Directors as part of the formal separation process. Such legislation, if enacted, is not expected to otherwise impact the internal operations of the Authority or the security for the Series 2020

Bonds. Additional legislative actions may be taken in the future with respect to the reorganization or consolidation of agencies, instrumentalities or political subdivisions of the Commonwealth, including the Authority.

As an example, in November 2019, Bill No. 2331 of the House of Representatives of the Legislature of the Commonwealth (the “House”) and Bill No. 1450 of the Senate of the Legislature of the Commonwealth (the “Senate”) were submitted to, among other things, merge the Economic Development Bank for Puerto Rico (“EDB”) into the Authority and transfer the assets, functions, liabilities, obligations, properties and regulations, among others, of EDB to the Authority. On November 12, 2019, both bills were referred for study to the Commission of Government of the House and the Senate, respectively, with no further action taken by the House or the Senate as of the date hereof.

In the event that any future merger or consolidation in connection with the Authority is approved by the Legislature of the Commonwealth, the Indenture specifically provides that, any such resulting or surviving entity would be bound by all covenants and agreements made by the Authority therein, including the pledge and assignment of PRPHA’s Capital Fund Allocations in amounts sufficient to pay Bond Debt Service on the Series 2020 Bonds.

The Authority has a debt with GDB resulting from a repurchase agreement from 2001. Such debt is unrelated to the Series 2020 Bonds and is payable from the Authority’s own funds, subject to certain asset restrictions. It is expected that the repurchase agreement will be restructured outside of Title III or Title VI of PROMESA.

## **PUERTO RICO PUBLIC HOUSING ADMINISTRATION**

PRPHA is a governmental agency attached to the DOH and created pursuant to Act No. 66 of August 17, 1989, as amended, for “the purpose and function of achieving a highly efficient administration of public residential projects.” PRPHA operates 53,755 units of public housing in 333 properties located in 77 municipalities throughout the Commonwealth, and it is the second largest public housing authority in the United States of America. It receives Operating Fund and Capital Fund subsidies from HUD, like the other 3,200 public housing authorities (“PHA” or “PHAs”) in the United States of America, which may be used, among other things, to finance the renovation and modernization of public housing developments. See “SECURITY FOR THE SERIES 2020 BONDS” and “CAPITAL FUND PROGRAM.”

The Governing Board of PRPHA is comprised of seven members, four of whom are *ex officio* representatives of other governmental agencies, two of which are public housing residents and one of which is a representative of the private sector. The four *ex officio* members are: the Secretary of Housing, who serves as its President, the Secretary of the Department of the Family, the Secretary of the Department of Labor and Human Resources, and the Executive Director of the Authority. The public housing resident members and the representative of the private sector are nominated by the Secretary of Housing and approved by the Governor of the Commonwealth every three years. Annually, the Governing Board elects a Vice-President from its members. There are vacancies from time to time.

The current Members of the Governing Board of PRPHA are the following:

<u>Name</u>	<u>Position</u>	<u>Term</u>	<u>Occupation</u>
Luis Carlos Fernández-Trinchet	President	Indefinite	Secretary of Housing
Pablo G. Muñoz-Reyes	Member	Indefinite	Executive Director of the Authority
Carlos Rivera Santiago	Member	Indefinite	Secretary of the Department of Labor and Human Resources
Orlando López-Belmonte	Member	Indefinite	Secretary-Department of the Family
Yamira Angleró-Cartagena	Member	3-year term	Public Housing Representative
Vacant	Member		Public Housing Representative
Juan Carlos Ramírez de Arellano	Member	3-year term	Private Sector Representative

The principal officers of PRPHA are the following:

*President.* Luis Carlos Fernández Trinchet, Esq., CFA. The biography of Mr. Fernández Trinchet is set forth under “THE AUTHORITY”.

*Administrator.* William O. Rodríguez-Rodríguez, Esq. Mr. Rodríguez-Rodríguez was appointed Administrator of PRPHA in February 2019, after occupying the position of Deputy Administrator since January 2017. Prior to this appointment, Mr. Rodríguez-Rodríguez worked as an attorney in private practice and at the Puerto Rico Department of Justice, and as Associate Administrator for Procurement and Executive Aide for PRPHA. Mr. Rodríguez-Rodríguez has a bachelor’s degree in Business Administration from the University of Puerto Rico, Cayey Campus, and a Juris Doctor degree from the Interamerican University of Puerto Rico School of Law.

*Deputy Administrator.* María Ivette Cabeza-Díaz. On July 2019, Ms. Cabeza-Díaz was appointed Deputy Administrator of PRPHA after serving as Chief of Staff since January 2017. Before being appointed to these positions, Ms. Cabeza-Díaz worked with the Municipality of Guaynabo; Dr. Richard Blanco Peck, Ph.D.; Semper Innova Corporation; Fundación Comunitaria; as Executive Aid to the Executive Administrator of PRPHA; Puerto Rico Parole Board; Housing Promoters, Inc.; MG Management Corporation; and with Housing Promoters, Inc. Ms. Cabeza-

Díaz has a bachelor's degree in Social Sciences, with a major in Social Work from the University of Puerto Rico, Río Piedras Campus, and a master's degree in Public Administration from the University of Puerto Rico, Río Piedras Campus.

*Chief of Staff and Acting General Counsel.* Alejandro E. Salgado-Colón, Esq. Mr. Salgado-Colón joined PRPHA on January 2017 as an Executive Aide and on March, 2017 was appointed General Counsel. Mr. Salgado-Colón has a bachelor's degree in Business Administration from the University of Puerto Rico, Carolina Campus, and a Juris Doctor degree from the Interamerican University of Puerto Rico School of Law.

*Associate Administrator of Finance and Administration.* Edna A. Rivera-Vargas, CPA. Mrs. Rivera-Vargas was appointed Associate Administrator of the Finance and Administration Office in 2009. Before joining PRPHA, Mrs. Rivera-Vargas worked as Comptroller of Constructora Campo Rico, Inc., as Project Director and Senior Associate at CVR Associates, Inc., as Comptroller of OJV Fabricators Corp., as Credit Manager at Banco Santander de Puerto Rico, as Commercial Credit Officer at Caguas Central Savings Bank, as Manager Commercial Credit Department and Accounting Department of First Federal Savings Bank and as Commercial Credit Officer at Chase Manhattan Bank, N.A. Mrs. Rivera-Vargas has a bachelor's degree in Business Administration with majors in Finance and Accounting from the University of Puerto Rico, Río Piedras Campus, and a master's degree in Business Administration (MBA) from the Interamerican University of Puerto Rico.

*Human Resources Auxiliary Secretary.* Lisneida Nieves-Martínez, Esq. Ms. Nieves-Martínez was appointed as Human Resources Auxiliary Secretary of DOH and PRPHA in September 2019. She has previously served as a Legal Judge Assistant in the Puerto Rico General Court of Justice, First Instance Court of Humacao; in PRPHA, as an Executive Assistant; in DOH, as a Human Resources Auxiliary Secretary and Special Assistant II. She also had her own private law practice and worked as a Law Clerk in Gonzalez Muñoz Law Offices, San Juan, Puerto Rico. Ms. Nieves-Martínez has a bachelor's degree in Business Administration, with a major in Management and a minor in Human Resources from the University of Puerto Rico, Cayey Campus, and a Juris Doctor degree from the Interamerican University of Puerto Rico School of Law.

PRPHA's mailing address is P.O. Box 363188, San Juan, Puerto Rico 00936-3188.

CSG Advisors Incorporated is serving as the municipal advisor to PRPHA in connection with the issuance of the Series 2020 Bonds.

## **PUBLIC HOUSING PORTFOLIO**

PRPHA receives annual Capital Fund Allocations from HUD with respect to a total of 53,755 units in 333 projects located in 77 municipalities.

### **Ownership of Properties and Obligation of PRPHA**

The 53,755 public housing units include approximately 49,623 units in properties that are owned directly by PRPHA (a portion of which were modernized with the proceeds of the Series 2003 Bonds) and approximately 4,132 public housing units, in properties that were modernized

with the proceeds of the Series 2008 Bonds and are owned by Vivienda Modernization 1, LLC (the “Limited Liability Company”). The sole member of the Limited Liability Company is Vivienda Modernization Holdings 1, S.E., a civil partnership created under the laws of the Commonwealth, whose general partner is the DOH (the “Partnership”); the Partnership is entitled to a direct credit on their Federal income taxes in accordance with Section 42 of the Code. The properties owned by the Limited Liability Company were transferred by the DOH under documents that restrict their use to public housing in accordance with applicable public housing requirements; PRPHA oversees the operation of such projects and compliance with applicable public housing requirements and such other functions as required by the DOH in its capacity as general partner of the Partnership. PRPHA has a purchase option and right of first refusal to purchase the Limited Liability Company’s interest in the projects after the housing tax credit compliance period expires. The Limited Liability Company entered into a residual receipt note at 0% interest on the principal amount of the Series 2008 Bonds, which note is assigned to PRPHA and is not pledged to, nor serves as security for, the Prior Bonds or the Series 2020 Bonds.

The Prior Bonds are secured by the Capital Fund Allocations that PRPHA receives from HUD with respect to all public housing units, whether owned directly by PRPHA or by the Limited Liability Company and operated by PRPHA. Under the Loan Agreements relating to the Prior Bonds, PRPHA is obligated to provide for the delivery of the Capital Fund Allocations to the respective Trustee to pay for debt service on the Prior Bonds from the Capital Funds received by PRPHA with respect to all public housing units.

### **Hurricanes Irma and Maria**

In September 2017, Hurricanes Irma and Maria (collectively, the “Hurricanes”) struck Puerto Rico causing widespread damage on the Island’s infrastructure. Hurricane Maria made landfall in Puerto Rico on September 20, 2017, bringing sustained winds of 155 miles per hour and significant rainfall over a 30-hour period. Hurricane Maria crossed Puerto Rico diagonally, entering through the southeast and exiting through the northwest region of the island. The hurricane inflicted unprecedented damage in Puerto Rico, leaving the island completely without power for months. Only two weeks prior to Hurricane Maria, Hurricane Irma—one of the strongest hurricanes ever recorded in the Atlantic—passed by Puerto Rico’s northern coast.

### **Damage and Repairs Resulting from the Hurricanes**

Approximately 130 units out of the 53,649 public housing units of PRPHA at that time suffered significant damage from the Hurricanes which rendered them uninhabitable. As a result, the occupancy rate of the portfolio as of November 30, 2018 was approximately 96%, a similar percentage to the occupancy rate prior to passage of the Hurricanes. The amount of the Capital Fund Allocations received by PRPHA from HUD has not been affected as a result of the damage caused by the Hurricanes.

On May 30, 2018, PRPHA obtained an independent engineer’s estimate of overall damages in the amount of \$395 million (the “Damage Inventory Estimate”) for permanent repair costs for its 333 existing projects, excluding hazard mitigation and soft costs (the “Permanent Repair Costs”). With respect to the Permanent Repair Costs, PRPHA submitted claims in the amount of

\$119 million to its private insurers, which are currently under review by such private insurers. As of June 2020, PRPHA had received \$8 million from insurance coverage.

On September 20, 2019, the DOH, PRPHA and the Commonwealth (the “Plaintiffs”) filed a complaint against Mapfre Praico Insurance Company (“MAPFRE”) in the Superior Court of Puerto Rico, San Juan Region (the “Court”) for breach of contract in connection with the damage caused by Hurricane Maria to multiple insured properties, as well as for the damages suffered due to MAPFRE’s breach and bad faith in the handling and adjustment of the insurance claim filed by DOH under the commercial property insurance policy issued in its favor. As a remedy, the Plaintiffs requested the Court to order MAPFRE to pay a sum of no less than the \$309,900,000 (the insurance policy limit) for the damage caused by Hurricane Maria to the insured properties, and to award damages for breach of contract in a sum of no less than \$2,000,000. On that same day, the Partnership, through DOH as its agent, filed a separate complaint to pursue the same causes of action against MAPFRE.

MAPFRE answered both complaints on June 18, 2020 and the Plaintiffs requested the consolidation of both complaints in one single case. Said request was granted on June 24, 2020 and both complaints are being handled under the case filed by the Plaintiffs. Accordingly, the case is still in its initial stages. Discovery proceedings are about to begin with the initial exchange of documents between the parties and inspection of insured properties. A status hearing was held on September 23, 2020 in which the parties informed the Court of the discovery proceedings to take place, including property inspections. The Court scheduled a status hearing for December 3, 2020 and ordered the parties to file before the hearing, a motion informing the status of the inspections and agreements reached, if any, in relation to the Partnership insured properties.

The Permanent Repair Costs not covered by private insurance are expected to be funded by the Federal Emergency Management Agency (“FEMA”). On May 30, 2018, PRPHA submitted the Damage Inventory Estimate to FEMA. As of September 15, 2020, FEMA has preliminary estimated total costs of approximately \$127.9 million for 85 projects with damages agreed upon among all parties, and \$265.5 million for projects pending agreement on damages. To date, FEMA has obligated a net amount of \$25.7 million for costs not covered by private insurance from which a total amount of \$14.2 million corresponds to hazard mitigation measures.

In addition to the Permanent Repair Costs, PRPHA submitted claims to FEMA for emergency works, specifically debris removal and temporary protective measures, for approximately \$45.0 million. As of September 15, 2020, FEMA had obligated \$42.5 million and paid \$6.5 million.

### **Earthquakes of 2019 and 2020**

Beginning on December 28, 2019, a series of earthquakes and aftershocks struck Puerto Rico. More than 2,000 earthquakes or tremors have struck the island since then. The earthquakes caused both significant damage to homes and buildings on Puerto Rico’s southern coast as well as significant damage to the Puerto Rico Electric Power Authority’s Costa Sur power plant, which typically generates as much as 25% of the island’s power. After the 6.5 magnitude earthquake on January 7, 2020, FEMA announced Federal emergency aid had been made available to Puerto Rico to supplement local response efforts.

According to a January 29, 2020 report, published by the United States Geological Survey (“USGS”), there is a high likelihood of continued, material aftershocks. While there will be fewer over time, Puerto Rico continues to be at risk of potentially catastrophic earthquakes.

### **Damage and Repairs Resulting from the Earthquakes**

The earthquakes resulted in structural damage to certain PRPHA projects located in southwestern region of the Island. PRPHA has made a preliminary damage inventory of \$25 million of which \$12.5 million has preliminary been submitted to FEMA. It is expected that one project with 48 uninhabitable units will be demolished and around 568 damaged units out of the 53,755 existing public housing units of PRPHA will be repaired as a result of the earthquakes. Accordingly, the occupancy rate of the portfolio as of June 30, 2020 is approximately 94%. The amount of the Capital Fund Allocations received by PRPHA from HUD has not been affected as a result of the damage caused by the earthquakes.

### **COVID-19 Pandemic**

The outbreak of a new strain of coronavirus named SARS-CoV-2 and the disease caused thereby (“COVID-19”) have been characterized as a pandemic by the World Health Organization and resulted in a declaration of a national emergency by the Federal Government on March 13, 2020.

On March 12, 2020, the Governor of the Commonwealth issued Executive Order 2020-20 declaring a state of emergency in Puerto Rico due to the COVID-19 pandemic. A curfew for all citizens and the closure of non-essential governmental and private sector operations was ordered on March 15, 2020 in order to combat the effects of COVID-19 in Puerto Rico. Thereafter, on March 27, 2020, the President of the United States of America signed a major disaster declaration for Puerto Rico and ordered Federal assistance to supplement local recovery efforts in connection with the COVID-19 pandemic. Overall, the Governor of the Commonwealth has issued several executive orders in response to the COVID-19 pandemic to protect the physical, mental, and economic health of the people of Puerto Rico.

During the month of June, 2020, the Governor of the Commonwealth issued various execution orders setting forth the plan for reopening the Commonwealth and ending the lockdown that had been in place since March 15, 2020, allowing businesses to open all days of the week, subject to a curfew and the implementation of certain social distancing and hygiene measures.

As a result of the COVID-19 pandemic and the earthquakes, PRPHA has experienced a modest impact on its near-term occupancy levels. As described above, the occupancy rate of the portfolio as of June 30, 2020 is approximately 94%, which reflects a 2% reduction in comparison to the period prior to the earthquakes and the COVID-19. Such impact is not expected to continue beyond the near term. The amount of the Capital Fund Allocations received by PRPHA from HUD has not been affected because of the COVID-19 pandemic. PRPHA is aware of instances where prospective tenants have declined the opportunity to move during the COVID-19 pandemic, although there have not been significant COVID-19 outbreaks at any of the 333 projects.

## **Planning for Portfolio**

PRPHA, in consultation with HUD and DOH, continuously reviews its public housing unit portfolio and may add or reduce the number of available units from time to time. PRPHA currently has plans for demolitions and project changes that would reduce the current number of units from 53,755 units to 53,167 by fiscal year 2021 and to 52,857 units by fiscal year 2028 (the “Planned Portfolio Changes”). In order to provide further flexibility with respect to the portfolio in future years, PRPHA has also negotiated with HUD further possible reductions beyond those planned to 46,857 units (the “Minimum Portfolio Units”), which would result in an expected reduction of the Capital Fund Allocations of 3.9%. See “CAPITAL FUND ALLOCATIONS” and “SECURITY FOR THE BONDS.”

## **PLAN OF REFUNDING**

The Series 2020 Bonds are being issued for the purpose of providing funds for the refunding the Prior Bonds. The Prior Bonds were issued to finance capital modernization projects for public housing in the Commonwealth. Upon execution and delivery of the Series 2020 Bonds, a portion of the proceeds thereof along with other available funds, will be transferred to U.S. Bank Trust National Association, as trustee for the Prior Bonds (the “Prior Trustee”) under the Master Trust Indenture, dated as of December 1, 2003 (the “2003 Indenture”), and the Master Trust Indenture, dated as of August 1, 2008 (the “2008 Indenture” and, together with the 2003 Indenture, the “Prior Indentures”), to be deposited in a special trust account (the “Escrow Account”) and will be used to purchase non-callable direct obligations of the United States of America (the “Defeasance Securities”), the maturing principal of and interest on which, together with other available cash held in the Escrow Account, are calculated to be sufficient to pay all principal of and interest on, and the redemption price of, the Prior Bonds on October 30, 2020. See “SOURCES AND USES OF FUNDS.”

At the time of such deposit into the Escrow Account, irrevocable instructions will be given to the Prior Trustee to give notices of the redemption of the Prior Bonds, and to apply the maturing principal of and interest on the Defeasance Securities, together with other available cash held in the Escrow Account, to the payment of the redemption price of and interest coming due on the Prior Bonds through and including the redemption date. In the opinion of Bond Counsel, upon making such deposits with the trustee under the Prior Indentures and the giving of such irrevocable instructions, the Prior Bonds, under the terms of the Prior Indentures, be deemed to have been paid, will no longer be outstanding and the covenants, agreements and obligations of the Authority with respect to the Prior Bonds under the Prior Indentures will be discharged and satisfied.

As a result of the redemption of the Prior Bonds, a portion of the funds available under the Prior Indentures will be transferred to the Trustee for the Series 2020 Bonds and used, among other things, to pay certain costs of issuance of the Series 2020 Bonds, complete an existing project and make a deposit to the Debt Service Reserve Fund, all subject to the limitations and provisions contained in the Act and the Indenture. Costs of issuance include rating agency fees, bond counsel and other legal fees, Trustee’s fees and other costs associated with the issuance of the Series 2020 Bonds.



## SOURCES AND USES OF FUNDS

The sources and uses of such funds are as follows:

### Sources of Funds

Principal Amount	\$249,155,000
Premium	36,909,282
Other Sources (Funds held by the Prior Trustee)	<u>53,285,081</u>
Total Sources of Funds	\$339,349,363

### Uses of Funds

Refunding Escrow Deposits - Cash Deposit	\$306,705,332
Debt Service Reserve Fund	19,790,500
Cost of Issuance	1,403,638
Underwriters' Discount	1,469,893
Other Use of Funds to Complete Approved Projects and Pay	
Project Related Expenses	<u>9,980,000</u>
Total Uses of Funds	\$339,349,363

## THE SERIES 2020 BONDS

### General

The following is a summary of certain provisions of the Series 2020 Bonds. Reference is made to the Indenture and the summary of the Indenture included in APPENDIX A hereto for a more complete description of the Series 2020 Bonds and the security for the Series 2020 Bonds. The discussion herein is qualified by such references.

The Series 2020 Bonds are to be dated their date of delivery and will mature as stated on the inside front cover page of this Official Statement. Interest is payable on the Series 2020 Bonds on each June 1 and December 1 (each an "Interest Payment Date"), commencing December 1, 2020. Interest on the Series 2020 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-days months. The Series 2020 Bonds are issuable as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof and will be dated the date of their delivery (the "Delivery Date").

The principal and Redemption Price of the Series 2020 Bonds shall be payable upon the presentation and surrender of the Series 2020 Bonds at the principal office of the Trustee as Paying Agent as the same shall become due and payable. Payment of the interest on each Series 2020 Bond shall be made by the Paying Agent by check or draft mailed to the Holder thereof as of the Record Date, at the address shown on the registration books kept by the Registrar. One fully registered Series 2020 Bond will be issued in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC") as registered owner of all Series 2020 Bonds. Payment shall be made in coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. See "APPENDIX F – DTC AND BOOK-ENTRY SYSTEM." Beneficial ownership of the Series 2020 Bonds may be acquired in denominations of \$5,000 and integral multiples thereof.

THE PRINCIPAL AND REDEMPTION PRICE OF, AND INTEREST ON THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY

FROM (I) THE CAPITAL FUND ALLOCATIONS ASSIGNED BY PRPHA TO THE TRUSTEE, AND (II) OTHER FUNDS AVAILABLE FOR THAT PURPOSE UNDER THE INDENTURE. THE SERIES 2020 BONDS DO NOT CONSTITUTE A DEBT, OBLIGATION OR PLEDGE OF THE CREDIT OF THE COMMONWEALTH OR ANY OF ITS INSTRUMENTALITIES OR POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY FROM THE SOURCES DESCRIBED HEREIN), AND NEITHER THE COMMONWEALTH NOR ANY OF ITS INSTRUMENTALITIES OR POLITICAL SUBDIVISIONS SHALL BE LIABLE FOR THE PAYMENT THEREOF. THE SERIES 2020 BONDS SHALL NOT BE PAYABLE OUT OF ANY FUNDS OF THE AUTHORITY OTHER THAN THOSE HELD UNDER THE INDENTURE AND PLEDGED THEREFOR. THE AUTHORITY HAS NO TAXING POWER.

THE SERIES 2020 BONDS ARE NOT A DEBT OR LIABILITY OF, OR GUARANTEED BY, HUD OR THE UNITED STATES OF AMERICA.

### **Redemption Provisions**

#### *No Optional Redemption*

The Series 2020 Bonds are not subject to redemption at the option of the Authority prior to maturity.

#### *Extraordinary Redemption*

The Series 2020 Bonds are subject to extraordinary redemption by the Authority, at their Amortized Values (defined below) plus accrued interest to the date of redemption, on any date in whole or in part (and if in part, as nearly as practicable on a pro rata basis among the remaining maturities then Outstanding), at the direction of PRPHA:

- (1) from and to the extent of insurance proceeds or condemnation awards deposited therefor in the Bond Debt Service Fund as a result of the destruction or condemnation of all or a portion of the 2008 Project Facilities in the event that such funds are not applied toward the repair, rebuilding or replacement of such 2008 Project Facilities; and
- (2) if PRPHA reduces its public housing units more than five percent (5%) cumulatively below the Stabilized Base Unit Count, in an amount and to the extent required by Section 4(H) of the ACC Financing Amendment; provided in no event will such amount exceed an amount required to maintain a coverage ratio of Capital Fund Allocations to Bond Debt Service of more than 3.0 to 1.0.

The “Amortized Value” of the Series 2020 Bonds shall equal the principal amount of the Series 2020 Bond to be redeemed, multiplied by the price of such Series 2020 Bond, expressed as a percentage, calculated based upon the industry standard method of calculating bond prices (currently provided in Rule G-33 of the Municipal Securities Rulemaking Board), with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such Series 2020 Bond, and a yield equal to such Series 2020 Bond’s original reoffering yield set forth on the inside cover hereof.

### *Redemption Price*

In the case of an extraordinary redemption of the Series 2020 Bonds as set forth above, the Redemption Price shall be equal to the Amortized Value of such Series 2020 Bond plus interest accrued thereon to, but not including, the Redemption Date.

### *No Redemption upon an Event of Taxability*

The Series 2020 Bonds are not subject to redemption upon an event of taxability. See “BONDHOLDERS’ RISKS – NO ACCELERATION OR REDEMPTION UPON LOSS OF TAX EXEMPTION.”

### *Selection of Bonds for Redemption*

In the event of redemption of less than all the Series 2020 Bonds, the Trustee shall assign to each such Outstanding Bond a distinctive number for each minimum denomination of the principal amount thereof so as to distinguish each such minimum denomination from each other portion of the Series 2020 Bonds subject to such redemption. The Trustee shall select the Series 2020 Bonds for redemption (i) in accordance with the Issuer’s notice of redemption pursuant to Section 6.1(C) of the Indenture, and (ii) by lot within each maturity. For purposes of Section 6.2 of the Indenture, Bonds which have theretofore been selected for redemption shall not be deemed Outstanding.

Any integral multiple of a minimum denomination may be utilized in connection with the partial redemption of the Series 2020 Bonds issued and such Series 2020 Bonds shall be subject to selection for redemption in the amount of such multiple but otherwise in accordance with Section 6.2 of the Indenture.

### *Notice of Redemption*

If the Trustee shall receive notice from the Authority of an extraordinary redemption, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds. Such notice shall specify the maturities of the Series 2020 Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable and, if less than all the Series 2020 Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the principal thereof at the Redemption Price, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by first class mail or registered or certified mail, return receipt requested (such delivery method to be determined by the Trustee), not less than fifteen (15) days nor more than thirty (30) days before the Redemption Date, to the registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of Bonds with respect to which no such failure occurred. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. Upon direction

in writing by the Authority, further notice shall be given by the Trustee in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed herein.

## **SECURITY FOR THE SERIES 2020 BONDS**

### **Pledge of Trust Estate**

The Series 2020 Bonds are special obligations of the Authority secured by a pledge of the Trust Estate (as defined in the Indenture). Payment of the principal or Redemption Price of and interest on all Series 2020 Bonds is secured by a pledge of the Revenues (as defined in the Indenture), which consist of all moneys received by the Trustee for deposit into the Revenue Fund, including all payments made to the Trustee by HUD, on behalf of PRPHA, pursuant to the ACC Financing Amendment, from the Capital Fund Allocations assigned to the Trustee by PRPHA, pursuant to the Loan Agreement, to the extent necessary to pay Bond Debt Service (as defined in the Indenture) and income derived from the investment of funds held by the Trustee in the Trust Estate established under the Indenture, including earnings and gains received by the Trustee pursuant to any investment agreement. Payment of the Series 2020 Bonds is also secured by a pledge and assignment of the right of the Authority to enforce the covenants of PRPHA contained in the Loan Agreement and the proceeds of such enforcement.

The pledges described in the immediately preceding paragraph are also subject to the terms and provisions of the Indenture requiring transfers of amounts to the Rebate Fund and permitting the application of the Revenues and amounts in the Funds for the purposes described therein.

### **Capital Fund Allocations**

Under the Indenture, the Authority will assign to the Trustee, as security for the payment of the Series 2020 Bonds, all of its right, title and interest in and to: (i) the Capital Fund Allocations assigned to it by PRPHA to the extent necessary to pay Bond Debt Service, and (ii) the Trust Estate established under the Indenture and investments, if any, thereof and earnings, if any, thereon.

Provided that PRPHA submits certain required documents to HUD, HUD has agreed, as described in the HUD Approval Letter and subject to the availability of appropriations by Congress, to make payments to the extent necessary for Bond Debt Service and related costs (as reflected on the final debt service schedule approved pursuant to the HUD Approval Letter) on the Series 2020 Bonds automatically and directly to the Trustee. HUD agrees in the ACC Financing Amendment that the amounts paid to the Trustee to make debt service payments on the Series 2020 Bonds are authorized and under current law are not subject to recapture, and that no regulatory waiver is necessary to disclaim effectively any right, title and interest of the United States of America in and to such amounts. However, HUD may recapture funds from PRPHA (as opposed to the Trustee) in accordance with applicable law. In the ACC Financing Amendment, HUD also agrees that interest earned on amounts paid to the Trustee to make Bond Debt Service on the Series 2020 Bonds may be applied to pay debt service on the Series 2020 Bonds or other Capital Fund

Program eligible work items and need not be returned to HUD, and HUD has determined that no regulatory waiver is necessary to permit such use.

Nothing in this transaction diminishes HUD’s authority to administer, monitor, and regulate the Capital Fund Program, including HUD’s authority to exercise any administrative sanction provided by law; provided, however, that HUD has agreed in the ACC Financing Amendment that no subsequent change in the permissible use of Capital Funds and no administrative sanction regarding PRPHA will affect the eligibility of expenditures for Bond Debt Service or reduce the Capital Fund Allocations to PRPHA, except as required by law, below the levels needed to pay such Bond Debt Service.

To the extent that Capital Fund Allocations to PRPHA are reduced or recaptured because Capital Fund Program amounts previously allocated to PRPHA remain unobligated or unexpended in violation of Section 9(j)(1) or (5)(A) of the United States Housing Act of 1937 (or any successor(s) thereto), HUD has agreed in the HUD Approval Letter that, (i) unless otherwise prohibited by law, any unobligated Capital Fund Allocations that are available to PRPHA shall be used, on a first priority basis, to the extent necessary, to pay principal of and interest on the Series 2020 Bonds, and (ii) to the extent permitted or provided by law, the recapture of all funds unobligated or unexpended in violation of said provisions of Section 9(j) shall serve to cure such violation(s). HUD also agrees in the HUD Approval Letter that the pledge and assignment of Capital Fund Allocations under the Indenture is authorized for the purpose of securing the payment of Bond Debt Service. See “APPENDIX C – HUD APPROVAL LETTER” and “APPENDIX D – ACC FINANCING AMENDMENT.”

The Capital Fund Allocations received by PRPHA during the last six Federal fiscal years (October 1 - September 30) are as follows:

<u>Federal Fiscal Year</u>	<u>Grant Amount</u> <u>(\$ mm)*</u>	<u>Number of Portfolio</u> <u>Units</u>
2015	103.2	54,567
2016	105.0	53,687
2017	104.7	53,649
2018	152.9	53,736
2019	151.2	53,725
2020	154.3	53,755

\* Does not include Replacement Factor Grant or Demolition Disposition Transitional Funding amounts.

In consultation with HUD and DOH, PRPHA continuously reviews its needs and the physical condition of its existing properties. As such, PRPHA may add or eliminate public housing units from time to time. Based on current plans, PRPHA would reduce its current unit count of 53,755 to 53,167 by fiscal year 2021 and to 52,857 units by fiscal year 2028.

Furthermore, to provide future flexibility with respect to the rebuilding or repairing of public housing units which might temporarily or permanently affect their eligibility for Capital Fund Allocations, PRPHA has negotiated with HUD further reductions of the number of units to reach a stabilized unit total of 46,958 units (the “Stabilized Base Unit Count”) as reflected in the

ACC Financing Amendment. PRPHA projects that such future flexibility could ultimately reduce their public housing units by a total of 6,898 which would leave a total of 46,857 units (the “Minimum Portfolio Units”). The Minimum Portfolio Units represents the number used for calculating debt coverage. Any reduction of more than 5% below the Stabilized Base Unit Count would require PRPHA to redeem the Series 2020 Bonds so as not to reduce debt service coverage below three times. See “THE SERIES 2020 BONDS – REDEMPTION PROVISIONS – EXTRAORDINARY REDEMPTION.” Although there are no specific plans for the removal of such units below the Minimum Portfolio Units, the effects of such potential future reductions on debt service coverage should be taken into account. See “ANNUAL DEBT SERVICE REQUIREMENTS – PROJECTED DEBT SERVICE COVERAGE.”

## ANNUAL DEBT SERVICE REQUIREMENTS

### Debt Service

The debt service requirements of the Authority with respect to the Series 2020 Bonds are shown below:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>
2021	\$28,840,000	5.000%	\$ 7,168,908	\$36,008,908
2022	29,295,000	5.000%	10,283,375	39,578,375
2023	30,800,000	5.000%	8,781,000	39,581,000
2024	32,375,000	5.000%	7,201,625	39,576,625
2025	29,435,000	5.000%	5,656,375	35,091,375
2026	30,945,000	5.000%	4,146,875	35,091,875
2027	32,530,000	5.000%	2,560,000	35,090,000
2028	<u>34,935,000</u>	<u>5.000%</u>	<u>873,375</u>	<u>35,808,375</u>
<b>Total</b>	<u>\$249,155,000</u>		<u>\$46,671,533</u>	<u>\$295,826,533</u>

### Projected Debt Service Coverage

The following table shows the potential impacts on Capital Fund Allocations of possible future changes in the portfolio. It is intended solely to show the impacts of portfolio reductions and Capital Fund Allocations, using the Fiscal Year 2019 Congressional Funding Formula, without requiring extraordinary redemption of the Series 2020 Bonds. Such additional reductions by up to 6,000 are not currently planned.

HUD’s approval of Capital Fund Allocations is based on a showing that coverage would be at least 3.0 to 1.0 under the Fiscal Year 2020 Congressional Funding Formula despite the additional reduction of units in the portfolio.

The Congressional Funding Formula may change in future years.

Fiscal Year	Debt Service (\$ mm)	<u>Projections based on Planned Portfolio Changes</u> <sup>(1)</sup>			<u>Projections based on Minimum Portfolio Units</u> <sup>(2)</sup>		
		# of Units	Projected Capital Fund Grant (\$ mm)	Debt Service Coverage Ratio	# of Units	Projected Capital Fund Grant (\$ mm)	Debt Service Coverage Ratio
2021	36.0	53,167	146.5	4.07x	51,167	140.9	3.91x
2022	39.6	52,770	145.0	3.66x	50,270	138.0	3.49x
2023	39.6	52,552	144.1	3.64x	49,552	135.7	3.43x
2024	39.6	52,837	144.0	3.64x	49,337	134.3	3.39x
2025	35.0	52,857	144.0	4.10x	48,857	132.9	3.79x
2026	35.0	52,857	144.0	4.10x	48,357	131.5	3.75x
2027	35.0	52,857	144.0	4.10x	47,857	130.1	3.71x
2028	35.8	52,857	144.0	4.02x	46,857	127.3	3.55x

(1) Projected based on the Planned Portfolio Changes which are expected to reduce the number of units managed by PRPHA from 53,755 units to 53,167 units by fiscal year 2021 and calculated based on the Fiscal Year 2019 Congressional Funding Formula. Does not include any Demolition or Disposition Transitional Funding (DDTF) which generally provides 5 years of funding for units removed due to demolition or disposition.

(2) Projected based on the Minimum Portfolio Units pursuant to the HUD Capital Fund Amendment, which may reduce the number of units by up to 6,898 for a total of 46,857 units and calculated based on the Fiscal Year 2019 Congressional Funding Formula. Does not include any Demolition or Disposition Transitional Funding (DDTF) which generally provides 5 years of funding for units removed due to demolition or disposition.

### Debt Service Reserve Fund

Under the Indenture, the Authority is required to maintain on deposit in the Debt Service Reserve Fund an amount equal to fifty percent (50%) of the maximum Bond Debt Service for the Series 2020 Bonds during any future Bond Year for six (6) months. If at any time for any reason, the funds held in the Debt Service Fund are insufficient to pay when due, the principal of or interest on the Series 2020 Bonds, the Trustee is authorized to withdraw funds from the Debt Service Reserve Fund to pay principal and interest on the Series 2020 Bonds.

## CAPITAL FUND PROGRAM

### Public Housing Program

*Public Housing Generally.* The public housing program was created by the United States Housing Act of 1937, as amended, 42 U.S.C. §1437 (the “1937 Act”), to provide improved housing for low-income households and to stimulate employment in the construction industry during the Great Depression. Under the system established by the 1937 Act, local governments adopted legislation to create PHAs. PHAs, such as PRPHA, develop, own, operate and maintain housing for rental to low-income families (those with incomes at or below 80% of area median income) which include very low-income families (those with incomes at or below 50% of area median income as defined annually by HUD) and extremely low-income families (those with incomes at or below 30% of area median income as defined annually by HUD). Currently, the 1937 Act requires, generally, that at least 40% of the public housing units of a particular public housing

authority which become available in a given year be rented to families with incomes at or below 30% of area median income.

Since 1965, the public housing program has been administered at the Federal level by HUD. There are currently about 3,300 PHAs in the United States of America which own and operate approximately 1.2 million public housing units.

*Funding.* Historically, the Federal Government paid nearly all of the costs of developing, maintaining, modernizing and operating public housing, to the extent that rents collected from tenants were insufficient for those purposes. PHAs generally financed the construction of public housing by issuing tax-exempt bonds, with respect to which principal and interest payments were guaranteed by the Federal Government through subsidy contracts known as Annual Contributions Contracts (“ACCs”) with the PHAs, or through direct loans from HUD under the ACCs, while property rents paid operating costs. Rents were set at a level sufficient to pay those costs.

Throughout the 1950s and the 1960s, as average tenant incomes in public housing declined, tenants paid an increasing share of income for rent. In response to concerns over rent burdens and the ability of PHAs to meet operating costs, the Federal Government, beginning in 1969, made significant changes to the public housing program. Tenant rental payments were limited to 25% of household income after various deductions and exclusions, resulting in a substantial reduction in rent receipts for PHAs. (The limit on tenant rental payments was increased to 30% of tenant income in 1981.) To offset this loss of income, the Federal Government provided funds to PHAs for the operation and maintenance of public housing units. These Federal operating subsidies rose from \$75 million in 1970 to more than \$1 billion annually ten years later.

Currently, Congress appropriates money each year for a variety of housing programs, including public housing. Public housing funds are provided to a PHA in accordance with its ACC with HUD. Pursuant to the ACC, HUD makes available an allocation of public housing funds to each PHA, and the PHA agrees to administer the public housing program in accordance with various Federal requirements. Each PHA agrees to provide HUD with a variety of reports and other information about its administration of the public housing program in its locality. The ACC is amended each year to reflect the new allocation of Capital Funds to a PHA. It can also be amended when a PHA increases or decreases its inventory of public housing units, or when the PHA enters into a financing, such as the Series 2020 Bonds.

*Renovation—Modernization Programs and Funding.* The original funding mechanism for public housing construction did not provide funding for a capital replacement reserve or for modernization. As the public housing stock aged and operating revenues declined, capital replacement and repair needs grew, and as a result, in 1968, HUD and Congress began a series of efforts to fund major repairs and renovation — referred to generally under the term “modernization.” Initially, modernization costs were paid by HUD through the ACCs, either by increasing amounts payable under the original ACC with respect to a project or through a separate contract. In 1980, Congress enacted the Comprehensive Improvement Assistance Program (“CIAP”), which provided modernization funds to PHAs through a grant process based on need. After 1986, the Major Reconstruction of Obsolete Projects (“MROP”) (see footnote 1 on Table I) program increased modernization funding, targeting the most seriously deteriorated properties.



Modernization funding was increased and the method of funding for large PHAs was changed in 1990 with the adoption of the Comprehensive Grant Program (“Comp Grant”). Comp Grant was limited to PHAs with more than 250 units and was a formula-based program, under which large PHAs such as PRPHA were assured of receiving capital funding based on their size, modernization needs and replacement needs, among other criteria.

### **Establishment of the Capital Fund Program**

In 1998, Congress passed the Quality Housing and Work Responsibility Act (“QHWRA”), which contained a major revision of the public housing laws. QHWRA amended Section 9 of the 1937 Act to replace the Comp Grant and CIAP programs with the Capital Fund Program for PHAs. Under the Capital Fund Program of QHWRA, PHAs receive formula-based Capital Funds from HUD which may be used, among other things, to finance the renovation and modernization of public housing developments. QHWRA also revised the way in which operating subsidies are provided by establishing the public housing Operating Fund.

The amount of Capital Fund and Operating Fund subsidies allocated to each PHA is set according to formulas developed by HUD through negotiated rulemaking procedures, taking into account factors provided by the statute. As set forth in Section 9(d)(2) of the 1937 Act, these factors include: (i) the number of public housing units owned, assisted or operated by the PHA; (ii) the PHAs need to carry out rehabilitation, modernization and other activities for its public housing units, taking into account both backlog and future needs; (iii) housing construction and rehabilitation costs in the area; (iv) the PHAs need to provide a “safe and secure environment” in its public housing; and (v) the PHAs record of “exemplary performance” in operating its public housing. The Secretary of HUD is empowered to consider additional factors.

HUD has issued final rules governing both Capital Fund and Operating Fund allocations. A PHA’s shares of funding are calculated according to these rules. The Capital Fund allocation rule (“Capital Fund Program Allocation Rule”) is set forth at 24 C.F.R. Part 905. The Capital Funds, which are allocated annually by HUD based upon annual appropriations from the Congress, represent the major source of funding for modernization and other capital activities at PHAs and consequently are the source of the moneys pledged by PRPHA for payment of the Series 2020 Bonds.

As with all other aspects of the Capital Fund Program, the allocation formula is subject to periodic review by the Congress and HUD, and may be changed at any time, whether by law or HUD regulation.

### **Capital Fund Authorization and Appropriations by Congress**

Under Article I, § 9 of the United States Constitution, the power to appropriate funds to be spent by the Federal Government belongs to the Congress. Typically, when Congress creates a new program such as the Capital Fund Program, it authorizes the expenditure of Federal funds in the prescribed manner for the stated purposes. This authorizing legislation may limit the amount of money to be spent on a given purpose and/or the period of time in which the program may operate, or it may establish the program permanently and permit the spending of such funds as may be necessary for the legislative purpose. In either such event, in addition to an expenditure

of funds being generally authorized by law, the amounts to be spent must also be specifically appropriated by the Congress. Appropriations are typically made in various “Appropriations Acts” that fund the operation of all activities of the Federal Government. Appropriations Acts are normally adopted annually by Congress, as an outcome of the process by which the Executive Branch proposes a budget to Congress and the elements of that budget are negotiated within Congress and between Congress and the President of the United States of America.

The amount of funds appropriated by Congress for public housing modernization has varied from year to year. Table I below shows such appropriations between 1980 and 2020.

**Table 1—Appropriations for Public Housing Modernization: 1980-2020**

Federal Fiscal Year	Enacted Appropriation*	Federal Fiscal Year	Enacted Appropriation
1980	\$50,000,000 †	2000	\$2,900,000,000 ‡
1981	100,000,000	2001	2,993,000,000 ³
1982	75,000,000	2002	2,843,400,000 ³
1983	2,500,000,000	2003	2,712,255,000 ³
1984	1,550,000,000	2004	2,696,353,000 ³
1985	1,725,000,000	2005	2,579,200,000 ³
1986	1,500,000,000	2006	2,463,600,000 ³
1987	1,437,000,000	2007	2,438,964,000 ³
1988	1,685,732,000	2008	2,438,964,000 ³
1989	1,646,948,200	2009	2,450,000,000 §
1990	2,030,000,000	2010	2,500,000,000 ³
1991	2,500,000,000	2011	2,040,200,000 ³
1992	2,801,000,000	2012	1,875,200,000 ³
1993	3,100,000,000	2013	1,875,200,000 ³ **
1994	3,230,000,000	2014	1,788,407,836
1995	2,885,000,000	2015	1,772,610,815
1996	2,500,000,000	2016	1,801,680,565
1997	2,500,000,000	2017	1,941,500,000
1998	2,500,000,000	2018	2,750,000,000
1999	3,000,000,000	2019	2,775,000,000
		2020	2,870,000,000

\* These numbers reflect funds appropriated for public housing modernization or for the Capital Fund in the Appropriations Bills for Transportation, Housing and Urban Development, and Related Agencies for each of the fiscal years indicated. These figures do not include (a) additional funds which may have been appropriated in a Supplemental Appropriations bill for these years, (b) additional funds appropriated for public housing development, the Major Reconstruction of Obsolete Project (“MROP”) and HOPE VI, or (c) HUD’s actual budget.

† The public housing modernization program, in its form as a grant, was first authorized in law in 1980 pursuant to the Comprehensive Improvement Assistance Program. However, Congress provided funds for this purpose three years prior to the enactment of authorizing legislation in the following amounts 1977—\$35,000,000, 1978—\$42,500,000 and 1979—\$50,000,000.

‡ Current capital funding formula.

§ In 2009, Congress appropriated an additional \$4,000,000,000 under the American Recovery and Reinvestment Act (Pub.L. 111-5).

\*\* In 2013, the enacted appropriation was cut to \$1,777,000,000 by sequestration under the Budget Control Act of 2011 (Pub.L. 112-25).

Source: HUD Office of Public and Indian Housing, Office of the Budget.

Once Congress has appropriated funds for modernization, HUD is responsible for allocating those funds among the PHAs in accordance with the formulas developed by HUD.

## **COVID-19**

In connection with COVID-19, the Coronavirus Aid, Relief and Economic Security Act, Public Law 116-136 (the “CARES Act”) was approved by Congress and signed into law by the President of the United States of America on March 27, 2020. The CARES Act provides new public housing funds and permits PHAs to use existing Capital Fund and Operating Fund subsidies with more flexibility. PHAs are able to use such funds for a broad range of expenses related to preventing, preparing for, and responding to coronavirus, including activities to support or maintain the health and safety of assisted individuals and families, and activities to support education and childcare for impacted families until December 31, 2020. On March 30, 2020, HUD issued the “COVID-19 FAQs for Public Housing Agencies”, with an updated second version published on March 31, 2020, an updated third version published on April 22, 2020, and an updated fourth version published on May 29, 2020 (collectively, the “COVID-19 FAQs”). The COVID-19 FAQs might be further updated in the future. PHAs may use existing Capital Fund and Operating Fund subsidies as provided in the COVID-19 FAQs. HUD has additionally granted certain waivers to provide relief to PHAs to ease administrative burdens related, among other things, their public housing programs. The COVID-19 FAQs and all notices related to any COVID-19 waivers are available on HUD’s website at: [www.hud.gov](http://www.hud.gov). See “PUBLIC HOUSING PORTFOLIO – COVID-19 PANDEMIC” and “BONDHOLDERS’ RISKS – COVID-19.”

## **Withholding of Capital Funds**

The 1937 Act and implementing regulations on Capital Funds at 24 CFR Part 905 require PHAs to obligate for expenditure at least 90% of their allocation of Capital Funds within 24 months of the date such funds become available to the PHA or, for Replacement Housing Factor Funds (a type of Capital Funds), up to five (5) years as maybe permitted by HUD (the “Obligation Requirement”). Unless a waiver or extension is obtained, a PHA cannot be awarded Capital Funds for any month during a fiscal year in which such PHA has unobligated Capital Fund Allocations from prior fiscal years in violation of the Obligation Requirement. However, if a PHA cures its failure to obligate the previously allocated Capital Funds within such fiscal year, Capital Fund Allocations will be made available to the PHA in an amount proportional to the number of months remaining in such fiscal year although the PHA will be unable to recover the Capital Funds attributable to the time it was not in compliance.

HUD may grant extensions to a PHA giving it more time to obligate its Capital Fund Allocation for a period of up to 12 months based on the size of the PHA, the complexity of its Capital Fund project, any limitation on the PHAs ability to obligate Capital Funds as a result of state or local law, or for any other factors determined by HUD to be relevant. In addition, HUD may grant an extension for such period as HUD determines to be necessary if HUD determines that the failure to timely obligate the Capital Funds is due to litigation, obtaining approvals from the Federal, state or local government, complying with environmental assessment and abatement requirements, relocating residents, or an event beyond the control of the PHA, or for any other reason established by HUD pursuant to a notice published in the Federal Register.

In addition to the Obligation Requirement discussed above, a PHA is required to expend Capital Fund Allocations within four (4) years of the date on which such funds become available to the PHA for obligation plus the period of any extension approved by HUD as described above (the “Expenditure Requirement”). Failure to do so may result in recapture of the funds.

PRPHA is currently in compliance with the Obligation Requirement and the Expenditure Requirement, and internal control and monitoring systems are in place to ensure that PRPHA meets or exceeds all Obligation Requirements and Expenditure Requirements in a timely manner. Taking into consideration extensions thereof approved by HUD, over the past 10 years, PRPHA has always complied with the Obligation Requirement and the Expenditure Requirement. The withholding of Capital Fund Allocations is discussed in more detail in the “BONDHOLDERS’ RISKS” section.

Table 2 below sets forth PRPHA’s historical compliance with the Obligation Requirement and the Expenditure Requirement:

**Table 2—Historical Obligation and Expenditure Compliance**

Year	Authority Allocation	Obligated Funds	Expended Funds
2011	\$112,125,957.00	\$112,125,957.00	\$112,125,957.00
2012	102,389,906.00	102,389,906.00	102,389,906.00
2013	98,699,770.00	98,699,770.00	98,699,770.00
2014	102,064,784.00	102,064,784.00	102,064,784.00
2015	100,970,861.00	100,970,861.00	100,970,861.00
2016	102,820,170.00	102,820,170.00	92,042,030.32
2017	104,189,437.00	94,293,227.30	78,960,950.75
2018	152,865,073.00	85,186,925.40	74,104,174.93
2019	151,166,598.00	66,291,179.17	23,203,843.64
2020	154,319,990.00	0	0

### Safe Harbor

The Capital Fund Program Allocation Rule establishes a “safe harbor” which insulates housing authorities from being subject to unexpected drastic reductions in their share of the total national appropriation. The “safe harbor” relates only to the percent of the overall appropriation or “formula share” that any housing authority is entitled to receive. The funding level is the amount of money that a housing authority can receive given its “formula share”. The safe harbor is further described at 24 CFR § 905.400(h) and provides generally that a PHA cannot receive less than 94 percent of the formula share it would have received under the Federal fiscal year 1999 formula system for the units currently eligible for Capital Funds. The safe harbor relates only to the amounts to which a PHA is entitled under the Capital Fund Program Allocation Rule and does not protect a PHA from subsequent recapture due to failure to obligate or expend funds in accordance with 24 CFR Part 905 (which could presumably result in amounts lower than the safe harbor for each PHA).

The Capital Fund Program Allocation Rule includes a performance reward for agencies designated as a “high performer” under HUD’s Public Housing Assessment System. PRPHA is not presently so designated. Because Capital Fund appropriations cover all Capital Funds due to all eligible PHAs, there is a possibility that the granting of performance rewards to some PHAs

could reduce the amount of available Capital Funds for other PHAs that are not high performers. This amount, however, is capped, such that no PHA can lose more than 5 percent of its base formula share as a result of the redistribution of funding from non-high performers to high performers.

By way of an example of the formula reductions discussed above, a national appropriation to housing authorities of \$3 billion in 1999 resulted in an PHA formula share of approximately \$89 million or 2.969%. The maximum reduction in formula share that could be suffered by that PHA would be to .94% or approximately \$83.7 million. The 5% performance reward factor reduction that could be felt by that PHA would, in that case, only equal \$4.2 million or a 4.7% reduction from the previous year's allocation.

### **Capital Fund Financing Program**

Under the Capital Fund Financing Program ("CFFP"), a PHA may borrow private capital to make improvements and pledge, subject to the availability of appropriations, a portion of its future year annual Capital Funds to make debt service payments for either a bond or conventional bank loan transaction.

The loans or bonds are obligations of the PHA. HUD does not guarantee or insure these loans or bonds. The PHA obligation is subject to the availability of appropriations by Congress and compliance with statutory and regulatory requirements.

Written HUD approval is required for all financing transactions which pledge, encumber, or otherwise provide a security interest in public housing assets or other property, including Capital Funds, and use Capital Funds for the payment of debt service or other financing costs. In order to receive HUD approval, a PHA must submit a financing proposal that includes a term sheet, financial documents, and a justification for the use of Capital Funds for financing.

### **HUD Approval Letter**

Pursuant to the HUD Approval Letter, HUD has approved the issuance of the Series 2020 Bonds subject to certain conditions as contained therein. The HUD Approval Letter is attached hereto as APPENDIX C.

### **ACC Financing Amendment**

Pursuant to the ACC Financing Amendment, HUD and PRPHA have agreed, among other things, that amounts payable by HUD pursuant to the Capital Fund Program shall be used for payment of Bond Debt Service, as a permissible use of Capital Fund Allocations. The ACC Financing Amendment is attached hereto as APPENDIX D.

## **BONDHOLDERS' RISKS**

The factors discussed below should be considered in evaluating the operations of the Authority and PRPHA, PRPHA's continued ability to receive Capital Fund Allocations and the Authority's ability to issue the Series 2020 Bonds and to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the Series 2020 Bonds.

This discussion of the risk factors involved in purchasing and owning the Series 2020 Bonds is not, and is not intended to be, exhaustive.

## **General**

The Series 2020 Bonds are special limited obligations of the Authority, payable solely from (i) loan repayments made by PRPHA, which loan repayments are to be made solely from the Capital Fund Allocations assigned by PRPHA to the Trustee, which are transferred directly by HUD to the Trustee, and (ii) other funds available for such purpose under the Indenture. The Series 2020 Bonds shall not be payable out of any funds of PRPHA or the Authority other than those held under the Indenture and pledged therefor. The Series 2020 Bonds are a special, limited obligation of the Authority, payable solely from the Trust Estate and do not constitute a debt, obligation or pledge of the full faith and credit of the Commonwealth or any of its instrumentalities or political subdivisions, and neither the Commonwealth nor any of its instrumentalities or political subdivisions shall be liable for the payment thereof. The Authority has no taxing power.

The ability of the Authority to make payments in amounts sufficient to provide for payment of the principal of, premium, if any, and interest on the Series 2020 Bonds could be adversely affected by the occurrence of certain events, including, without limitation, the events and circumstances described below.

### **Failure of Congress to Appropriate Funds under the Capital Fund Program**

The failure of PRPHA to pay any amount due under the Loan Agreement and the failure of the Authority to pay Bond Debt Service in accordance with the Indenture that arises solely as a result of the failure of Congress to appropriate funds for the Capital Fund Program to PRPHA shall not result in any liability to PRPHA or the Authority.

### **Delay, Reduction or Elimination of Appropriations**

The Series 2020 Bonds are secured solely by Revenues and other funds in the Trust Estate, which is comprised mainly of a pledge of the Capital Fund Allocations received by the Trustee from HUD. Since 1968, Congress has provided funds to PHAs for public housing modernization in the amounts and under the conditions discussed above. See “CAPITAL FUND PROGRAM – HISTORY OF MODERNIZATION FUNDING” above for information regarding historical levels of appropriations by Congress to HUD. Appropriations for the Capital Fund Program must be determined by Congress each year. The ability of HUD to allocate (once appropriated by Congress) and PRPHA to receive or pledge, such funds may be limited or otherwise altered by legislative or regulatory act in manner which adversely affects the interest of the owners of the Series 2020 Bonds.

There can be no assurance that Congress will reauthorize the expenditure of Capital Funds, maintain appropriations for the Capital Fund Program at levels sufficient to assure the repayment of the Loan Agreement, and consequently the Series 2020 Bonds, or make a specific year’s appropriation under the Capital Fund Program in a timely manner. When there is a delay in the approval of appropriations, Congress may pass “continuing resolutions” which may continue the level of funding on certain programs, such as the Capital Fund Program, at existing levels until the relevant appropriations bill is passed.

The ability of HUD to allocate (once appropriated by Congress,) and of PRPHA to receive and/or pledge, such funds may be limited or otherwise altered by legislative or regulatory act in a manner which adversely affects the interests of the owners of the Series 2020 Bonds.

Additionally, as described above, Capital Fund Allocations generally can decline annually over time depending on PRPHA's performance, but within certain safe harbors. PRPHA's Capital Fund Allocations could drop below the "safe harbor" amount: (1) if PRPHA deprograms or otherwise disposes of units which are not replaced in accordance with the Capital Fund rule and (2) pursuant to the performance reward mechanism described in the Capital Fund rule. Such declines may have a material adverse effect on the availability of funds to repay the Series 2020 Bonds and the security for the Series 2020 Bonds.

A decrease in the level of appropriated funds by Congress to HUD or a delay in appropriations could have a material adverse effect on PRPHA's ability to make repayments under the Loan Agreement and consequently, the Authority's ability to pay the Bond Debt Service.

### **Withholding of Capital Funds; Recapture of Funds**

The Secretary of HUD (i) is required to withhold a portion of Capital Funds that would otherwise be allocated to PRPHA, if PRPHA fails to obligate its Capital Funds within the time period required by the 1937 Act, which time period varies based on different factors, and (ii) may recapture obligated Capital Funds that are not expended within the time period required by the 1937 Act, as such periods may be extended by the Secretary of HUD. See "CAPITAL FUND PROGRAM – WITHHOLDING OF CAPITAL FUNDS."

Any such withholding may have a material adverse effect on PRPHA's ability to make repayments under the Loan Agreement and, consequently on the Authority's ability to pay Bond Debt Service. The likelihood of any potential withholding of Capital Funds adversely affecting the Authority's ability to pay Bond Debt Service is reduced by a number of factors, including:

1. The Secretary of HUD may grant extensions of time to obligate for a wide variety of reasons.
2. Unobligated amounts are disregarded if they do not exceed 10% of the original amount made available.
3. If PRPHA cures its failure to obligate a prior year's Capital Funds, PRPHA will receive for the then-current fiscal year, a share equal to its original share multiplied by a fraction equal to the number of months remaining in the year subsequent to the month in which the cure occurred, divided by 12.
4. The Bond Debt Service is equal to not more than one-third of PRPHA's Capital Fund Allocation for 2020 Federal fiscal year.
5. HUD has agreed that Bond Debt Service may be paid from any Capital Funds, including any unobligated funds. Accordingly, to the extent that the withholding of a particular year's allocation of Capital Funds is due to the presence of unobligated funds in violation of the 1937 Act's obligation deadlines, those

earlier unobligated funds would be available to enable PRPHA to make repayments under the Loan Agreement. Such repayments would also help to cure the condition giving rise to the withholding of Capital Funds.

6. If unobligated Capital Funds remaining from prior fiscal years are insufficient to satisfy the Bond Debt Service requirements in a particular year and the application of such funds comes too late in the fiscal year to permit receipt of sufficient funds in the current fiscal year to permit full payment of Bond Debt Service with such current amounts, Bond Debt Service Reserve Fund may be used to pay Bond Debt Service. Full application of amounts remaining unobligated from prior years to make repayments under the Loan Agreement would enable PRPHA to receive a full allocation of Capital Funds for the subsequent fiscal year, enabling the restoration of the Bond Debt Service Reserve Fund and payment of current Bond Debt Service.

7. Bond Debt Service once paid cannot be recaptured because such amounts are obligated and expended on a current, ongoing basis.

### **Termination of Capital Fund Program**

The funding authorization for the Capital Fund Program provided for in 42 U.S.C. 1437g(c) explicitly authorized funding only through Federal fiscal year 2003; nevertheless, Congress has appropriated funds in each subsequent fiscal year. As is further discussed under “CAPITAL FUND PROGRAM – PUBLIC HOUSING PROGRAM – RENOVATION-MODERNIZATION PROGRAMS AND FUNDING,” HUD and Congress have provided assistance to PHAs for many years for modernization and other capital activities in a variety of forms. There can be no assurance that Congress will maintain the Capital Fund Program in its present form or reauthorize the expenditure of funds thereunder. Although PRPHA has assigned to the Trustee amounts payable to PRPHA under any successor to the Capital Fund Program in the Loan Agreement, there can be no assurance that, upon discontinuation or termination of the Capital Fund Program, a substantially similar program will be established by the Congress or that amounts provided under any such successor program will be comparable to those provided under the Capital Fund Program. Accordingly, a discontinuation or termination of the Capital Fund Program could result in decreased funding by HUD to PRPHA for capital needs and could have a material adverse effect PRPHA’s ability to make repayments under the Loan Agreement and consequently, on the Authority’s ability to pay Bond Debt Service.

### **Change in Allocation Formula**

As described above under the caption “CAPITAL FUND PROGRAM,” HUD allocates amounts to PHAs under the Capital Fund Program on the basis of a formula authorized by law (the “Capital Fund Allocations Formula”). As described above under the caption “CAPITAL FUND PROGRAM,” HUD has previously allocated amounts to PHAs under predecessor programs for the modernization of public housing by formula or upon such other bases as were established by Congress with respect to the particular program. There can be no assurance that Congress will not change the basis upon which moneys will be allocated to PHAs (including PRPHA) under the Capital Fund Program (or any successor thereto). There can be no assurance that HUD will not



change the manner in which the Capital Fund Allocations Formula for calculating amounts allocated to PHAs (including PRPHA) under the Capital Fund Program is determined or applied. A change in the Capital Fund Allocations Formula or basis upon which amounts under the Capital Fund Program (or any successor thereto) are allocated to PHAs could decrease the amount of such funds allocated by HUD to PRPHA and could have a material adverse effect on PRPHA's ability to make repayments under the Loan Agreement and consequently, on the Authority's ability to pay Bond Debt Service.

### **Reduction in Allocation**

There can be no assurance that changes in the operations of PRPHA's will not have an adverse effect on allocations of Capital Funds under the current Capital Fund Allocations Formula or any successor thereto. There is no assurance that PRPHA's allocations of Capital Fund Allocations will not be reduced in any year through application of the Capital Fund Allocations Formula, as a result of a reduction in the number of public housing units operated by PRPHA which are eligible for improvements funded by Capital Fund Allocations or otherwise. Any change in the status of PRPHA's inventory of public housing units and/or operations considered for purposes of the current or any future Capital Fund Allocations Formula could decrease the amount of such funds allocated by HUD to PRPHA and could have a material adverse effect on PRPHA's ability to make repayments under the Loan Agreement and consequently, on the Authority's ability to pay Bond Debt Service.

### **Other Changes in Law or Regulations**

There can be no assurance that the laws and regulations presently applicable to the Capital Fund Program will not be rescinded, revised or supplemented in such a way as to have a material adverse effect on PRPHA's ability to make repayments under the Loan Agreement and consequently, on the Authority's ability to pay Bond Debt Service.

### **HUD Administrative Sanctions**

The Capital Fund Program and the public housing program generally operate under a series of regulations and requirements prescribed by the 1937 Act and by HUD pursuant to its administrative authority over those programs. Various sanctions may be imposed upon PHAs that violate HUD program requirements, including, under specified circumstances, the withholding of funds to which a PHA might otherwise be entitled. The statute provides for various extensions and exceptions which would avoid the withholding of assistance in particular cases. HUD regulations permit withholding of assistance in other circumstances, as well. In addition, there can be no assurance that HUD and Congress will not impose additional conditions upon the receipt of assistance pursuant to the Capital Fund Program or any successor, with which PRPHA may be unable to comply.

Pursuant to the 1937 Act and contracts entered into by HUD and PHAs throughout the country, in the event of a substantial default in the performance of the obligations of a PHA, HUD is entitled to pursue a wide range of administrative sanctions and remedies, including requiring possession of a PHA's assets to be transferred to HUD and the "taking over" of full management and operational control from such authority. Such a takeover by itself would not impair the

payment of debt service on the Series 2020 Bonds. PRPHA has covenanted to comply with the requirements of the Capital Fund Program.

HUD has agreed that, except as required by law, it will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the allocation of Capital Funds to PRPHA below the level necessary to pay Bond Debt Service or delay the time to transfer of such moneys such that the required amounts would not be available to pay Bond Debt Service when due.

### **Federal Budget Delays**

PRPHA expects Capital Funds for a given fiscal year will be available at or near the end of such fiscal year or the beginning of the next succeeding fiscal year, and this delay has been taken into account in structuring debt service payments on the Series 2020 Bonds. In the event that Federal appropriations are delayed, PRPHA's receipt of Capital Funds may also be delayed. In the event of a delay, Congress has traditionally provided interim funding to Federal agencies until final appropriation bills are enacted; however, there can be no assurance of any such interim funding, nor that the Debt Service Reserve Fund established under the Indenture in an amount equal to one-half of the maximum annual debt service requirements will be available to pay the Debt Service on the Series 2020 Bonds when due and payable.

### **No Acceleration or Redemption upon Loss of Tax Exemption**

The Authority has covenanted and agreed in the Indenture, and PRPHA has covenanted and agreed in the Loan Agreement, to comply with the applicable provisions of the Code relating to the exclusion from gross income of the interest payable on the Series 2020 Bonds for Federal income tax purposes, and the Indenture, the Loan Agreement and the Tax Certificate contain covenants and procedures designed to assure compliance with such provisions. Any failure by the Authority or PRPHA to comply with such provision will not give rise to a redemption or acceleration of the Series 2020 Bonds. Consequently, interest on the Series 2020 Bonds may become includable in gross income for purposes of Federal income taxation retroactively to the date of issuance of the Series 2020 Bonds by reason of the Authority's or PRPHA's failure to comply with the requirement of Federal Tax law. See "TAX MATTERS." There is no provision for a redemption of the Series 2020 Bonds or for an increase in the rate interest payable thereon upon the occurrence of such event.

### **Effect of Federal Sequestration**

The Budget Control Act of 2011 ("BCA"), which amended the Balanced Budget and Emergency Deficit Control Act of 1985 ("BBEDCA"), required the Office of Management and Budget ("OMB") to calculate, and the President of the United States of America to order, a sequestration of discretionary and direct spending on January 2, 2013 to achieve expense reductions for fiscal year 2013. In September 2012, the OMB released a report estimating that sequestration would cut \$154,000,000 in Capital Fund Program funds in 2013, or approximately 8.2%. On January 2, 2013, Congress passed the American Taxpayer Relief Act of 2012, which modified the requirements of the BBEDCA by delaying sequestration until March 1, 2013. Congress, however, was unable to reach agreement to prevent or further delay sequestration, and

on March 1, 2013, the automatic spending reductions required by the BCA became effective, cutting the enacted Capital Fund Program appropriation from \$1,875,200,000 to \$1,777,000,000, or approximately 5.2%. In December 2013, the Bipartisan Budget Act of 2013 increased the sequestration caps established by the BCA for fiscal years 2014 and 2015, thus avoiding the automatic cuts by sequestration. The 2015 Bipartisan Budget Act subsequently modified the caps for fiscal years 2016 and 2017. On September 29, 2016, the President of the United States of America signed the Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act (the “2017 Continuing Appropriations Act”) funding the Federal Government through December 9, 2016. On December 8, 2016, Congress passed continuing resolutions that were signed by the President of the United States of America and extended continued funding at fiscal year 2016 levels through April 28, 2017. Under the Consolidated Appropriations Act, 2017, which was signed by the President of the United States of America and became law on May 5, 2017, a budget for the remainder of the 2017 fiscal year was put in place, which includes appropriations for discretionary budget items that are equal to the adjusted caps for fiscal year 2017. Accordingly, the Congressional Budget Office (the “CBO”) has concluded that no sequestration was required for fiscal year 2017.

On February 9, 2018, the President of the United States of America signed into law the Bipartisan Budget Act of 2018 (the “BBA 2018”). The bill extends a fifth continuing resolution (CR) to fund the Federal Government. Significantly, it raises the spending limits for both defense and nondefense funding imposed by the BCA for two years, fiscal years 2018 and 2019. The BBA 2018 increases the discretionary cap levels for both defense and nondefense programs in fiscal years 2018 and 2019 relative to the caps (in effect after the automatic spending reduction took effect) that would have prevailed absent enactment of the BBA 2018. For fiscal year 2018, the BBA 2018 raises the discretionary cap on defense to \$629 billion (an \$80 billion increase) and raises the nondefense cap to \$579 billion (a \$63 billion increase). The fiscal year 2019 discretionary caps under the BBA 2018 are increased to \$647 billion for defense (an increase of \$85 billion) and to \$597 billion for nondefense (an increase of \$68 billion). The BBA 2018 does not adjust the discretionary caps in fiscal years 2020 and 2021, the last years for which discretionary caps are provided under the BCA.

In the event of federal sequestration, there can be no assurance of any such interim funding, nor that the Debt Service Reserve Fund established under the Indenture in an amount equal to one-half of the maximum annual debt service requirements will be available to pay Bond Debt Service when due and payable.

### **Recent Capital Fund Appropriations**

The White House Fiscal Year 2019 HUD Budget Proposal (“Budget Proposal”) requested \$39.2 billion in gross discretionary funding for HUD, an \$8.8 billion or 18.3 percent decrease from the fiscal year 2017 enacted level. In addition, the Budget Proposal eliminated funding for the Capital Fund Program, as well as funding for the Community Development Block Grant Program and other funding which local governments can use at their discretion to address a variety of community and infrastructure needs. In May 2018, the House Appropriations Committee approved the Transportation Housing Urban Development (THUD) Appropriations Bill with \$2.75 billion for fiscal year 2019, the same level as for fiscal year 2018. On August, 2, 2018, the

Senate approved its Fiscal Year 2019 Transportation, Housing and Urban Development (THUD) Appropriations Bill with a 4% increase over fiscal year 2018 levels. It provided for \$2.775 billion for the Public Housing Capital Fund, an increase of \$25 million above the fiscal year 2018 and the House Appropriations Committee fiscal year 2019 level. For fiscal year 2020, Congress approved \$2.870 billion for Public Housing Capital Fund, an increase of \$95 million above the fiscal year 2019. There can be no assurance as to what final legislative actions will be taken for fiscal year 2021 or subsequent fiscal years or that any such legislative actions would not have a material adverse effect on PRPHA's ability to make repayments under the Loan Agreement and consequently, on the Authority's ability to pay Bond Debt Service.

### **Extraordinary Redemption**

The Series 2020 Bonds are subject to redemption by the Authority, at the direction of PRPHA, in part, at the Redemption Price thereof.

### **No Mortgage or Lien on Projects**

There is no mortgage or lien on, or a security interest in, any housing project or any other facilities of PRPHA's securing the Series 2020 Bonds. Therefore, if a default occurs, neither the Trustee nor the owners of the Series 2020 Bonds will have a security interest on any portion of any housing project or any such facilities in order to enforce its rights to the payment of debt service on the Series 2020 Bonds.

### **No Acceleration upon Default**

Upon the occurrence and continuance of an Event of Default under the Indenture, neither the owners of the Series 2020 Bonds nor the Trustee shall have the right to declare the principal of the Series 2020 Bonds to be immediately due and payable.

### **Enforceability against HUD**

HUD has no obligation with respect to the Series 2020 Bonds. Neither the owners of the Series 2020 Bonds nor the Trustee acting on their behalf, has any right or remedy against HUD to enforce payment of the Capital Funds necessary to repay the Series 2020 Bonds. The Series 2020 Bonds are secured solely by the Trust Estate, which is comprised mainly of the Capital Fund Allocations once received by the Trustee directly from HUD.

### **Enforceability of Remedies**

The remedies available to the owner of the Series 2020 Bonds upon an Event of Default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law, Federal Bankruptcy laws, including specifically the Bankruptcy Code and PROMESA, and judicial decisions related thereto, certain remedies specified by the Indenture, the Loan Agreement and various related documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the various legal instruments, by

limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by principles of equity.

Although the Authority has no intention to effect a plan to adjust its debts, if the Authority were to become a “debtor” in a proceeding under Title III of PROMESA, creditors, including the owners of the Series 2020 Bonds and the Trustee, could be prohibited from taking actions to collect, assess, or recover a claim against the Authority without court approval. As a result, to the extent the Authority is subject to a proceeding under Title III of PROMESA, the owners of the Series 2020 Bonds and the Trustee could be unable to enforce certain rights under the Series 2020 Bonds, the Indenture, and the Loan Agreement as a result of the application of the automatic stay on enforcement of remedies that would become effective upon the filing of the Title III petition by the Oversight Board.

### **Commencement of a Proceeding under Title III of PROMESA**

Given that the Capital Fund Allocations are transferred directly by HUD to the Trustee to the extent necessary to pay Bond Debt Service, and are not held by the Authority at any time, a proceeding under Title III of PROMESA should not have a material adverse impact on such transfer and, consequently, on the payment of Bond Debt Service. Furthermore, Section 204(d) of PROMESA purports to limit the exercise of applicable authorities by the Oversight Board over federally authorized or federally delegated programs, such as the Capital Fund Program. Nonetheless, the owners of the Series 2020 Bonds should consider that there are uncertainties and judicial discretions associated with the commencement of a proceeding under Title III of PROMESA that could potentially entail interruptions or delays in the receipt of amounts by the Trustee and the payment of Bond Debt Service. The Authority has no intention to effect a plan to adjust its debts under Title III of PROMESA and cannot be forced into an involuntary proceeding under Title III of PROMESA by the Oversight Board. See “THE COMMONWEALTH AND PROMESA – MAIN COMPONENTS OF PROMESA.”

### **COVID-19**

The COVID-19 pandemic has affected the economy, travel, commerce, and financial markets, globally, nationally and locally. In response, Congress recently enacted several COVID-19-related bills, including the Cares Act, which provides more than \$2 trillion of direct financial aid to individuals, payroll and operating expenses support for small businesses, and loan assistance for distress industries, as well as providing funds to and directing the Federal Reserve System to support the financial markets.

The COVID-19 pandemic has caused significant disruptions to the global, national and Puerto Rico’s economy. The extent to which COVID-19 may impact the Series 2020 Bonds, the Capital Fund Program, PRPHA or the Authority will depend on future developments, including the duration of the COVID-19 pandemic and measures taken to address it, which are highly uncertain and cannot be predicted by PRPHA or the Authority. The Federal Government’s finances may materially be adversely affected by the continuation of the COVID-19 pandemic and the resulting containment and mitigation efforts thereto, which could affect the amount or timing of aid appropriated to PRPHA. See “BONDHOLDER’S RISKS – DELAY, REDUCTION OR ELIMINATION OF APPROPRIATIONS”, “– TERMINATION OF CAPITAL FUND PROGRAM”, “– REDUCTION IN

ALLOCATION”, and “– FEDERAL BUDGET DELAY.” PRPHA and the Authority cannot determine the future impact that the COVID-19 pandemic, including the Federal or local responses thereto, will have, if any, on the Capital Fund Program and the availability of annual appropriations for such purposes by the Congress. The COVID-19 pandemic is an ongoing and fluid situation and continues to evolve rapidly.

### **Potential Impact of Other Local, National or Global Economic Events**

Local, national or global events, including downgrades of municipal and sovereign debt, devaluation of currencies, slowing economic growth and health and social measures adopted by governments to limit the human and economic effect of the COVID-19 Pandemic, have affected, or may affect, the liquidity in the economy and the secondary market for securities, which could adversely impact the marketability of the Series 2020 Bonds and, consequently, limit the ability of an owner to sell its Series 2020 Bonds.

No prediction or assurance can be made as to the effect that these developments may have on the Commonwealth’s economy, the financial market and the Series 2020 Bonds.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Greenberg Traurig, LLP, Philadelphia, Pennsylvania, (“Bond Counsel”), the interest on the Series 2020 Bonds is (i) excludable from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except for interest on any Series 2020 Bond for any period during which such Series 2020 Bond is held by a “substantial user” or a “related person” within the meaning of Section 147(a) of the Code; and (ii) not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. In rendering its opinion, Bond Counsel has relied upon certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and PRPHA with respect to certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020 Bonds from gross income under Section 103 of the Code.

Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Series 2020 Bonds may affect the Federal tax status of the interest on the Series 2020 Bonds.

Ownership of the Series 2020 Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations with “excess net passive income,” individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2020 Bonds. Bond Counsel expresses no opinion as to any such collateral tax consequences. Purchasers of Series 2020 Bonds should consult their own tax advisors as to such collateral tax consequences.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2020 Bonds for interest thereupon to remain excludable from the gross

income of the owners of the Series 2020 Bonds for Federal income tax purposes. Noncompliance with such requirements may cause interest on the Series 2020 Bonds to be required to be included in the gross income of the owners of the Series 2020 Bonds for Federal income tax purposes, retroactive to the date of issuance of the Series 2020 Bonds or as of some later date. In addition, to the requirements as to investment and use of proceeds, in the case of obligations issued to finance residential rental housing, Section 142(d) of the Code provides that, among other things, certain ongoing requirements with respect to occupancy by low-income families must be met by the 2008 Project Facilities. Under the Code and Treasury Regulations, the failure to satisfy Section 142 requirements on a continuous basis will, unless corrected within a period of sixty (60) days following the date that any of the parties hereto learned of such failure, cause loss of the tax-exempt status of the Series 2020 Bonds as of the date of issuance of the Series 2020 Bonds, irrespective of the date such noncompliance actually occurred. PRPHA will covenant to comply with such requirements in the Loan Agreement and the Regulatory Agreement, and the Authority will covenant in the Indenture and the Regulatory Agreement to comply with such requirements, to the extent of its control over investment or use of proceeds of the Series 2020 Bonds and of its own actions. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Series 2020 Bonds may affect the Federal tax status of the interest on the Series 2020 Bonds.

The form of opinion of Bond Counsel is attached hereto as APPENDIX E.

### **Original Issue Premium**

Certain of the Series 2020 Bonds (the “Premium Bonds”) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Purchasers of the Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds, and with respect to the state and local consequences of owning and disposing of Premium Bonds.

### **Commonwealth, State and Local Tax Treatment of the Series 2020 Bonds**

In the opinion of Bond Counsel, under the laws of the United States of America and of the Commonwealth of Puerto Rico as enacted and construed on the date hereof, interest on the Series 2020 Bonds is exempt from taxation by the Government of Puerto Rico or of any political or municipal subdivision thereof, or by any state, territory, or possession, or by any county,

municipality, or other municipal subdivision of any state, territory, or possession of the United States of America, or by the District of Columbia. Bond Counsel expresses no opinion regarding any other Commonwealth, state or local tax consequences with respect to the Series 2020 Bonds.

Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2020 Bonds or under state or local tax law.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the Federal or state tax matters described above including, without limitation, the excludability from gross income of interest on the Series 2020 Bonds, adversely affect the market price or marketability of the Series 2020 Bonds, or otherwise prevent the Holders from realizing the full current benefit of the status of the interest thereon. 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 2020 Bonds. Prospective purchasers of the Series 2020 Bonds should consult their tax advisors as to the impact of any proposed or pending legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending or proposed legislation, regulatory initiatives or litigation.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds such as the Series 2020 Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2020 Bonds from gross income for Federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2020 Bonds, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Series 2020 Bonds and proceeds from the sale of Series 2020 Bonds. Any amount so withheld would be refunded or allowed as a credit against the Federal income tax of such owner of Series 2020 Bonds. This withholding generally applies if the owner of Series 2020 Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2020 Bonds



may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

**Prospective purchasers of the Series 2020 Bonds should consult their own tax advisors regarding the foregoing matters.**

## UNDERWRITING

The Underwriters have agreed, jointly and severally, to purchase the Series 2020 Bonds at the initial offering prices set forth or derived from information set forth on the inside cover page of this Official Statement. The Underwriters will receive compensation as underwriters in the form of an underwriters' discount equal to \$1,469,892.84. The bond purchase agreement with respect to the Series 2020 Bonds ("Purchase Contract") provides that the Underwriters will purchase the Series 2020 Bonds, subject to fulfillment by the Authority and PRPHA of certain terms and conditions set forth in the Purchase Contract, including the receipt of certain legal opinions. In the Purchase Contract, the Authority has agreed to indemnify the Underwriters, to the extent permitted by law, against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments that the Underwriters may be required to make in respect thereof; provided, however, that any indemnification provided by the Authority or PRPHA is expressly limited by the 1937 Housing Act to eligible non-public assets (assets not subject to a Declaration of Trust in favor of HUD and not acquired or merged with assets acquired with public housing funding under the 1937 Housing Act). The initial public offering prices of the Series 2020 Bonds may be changed, from time to time, by the Underwriters. The Purchase Contract provides that the Underwriters may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing the Series 2020 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the inside cover page.

The Underwriters may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing the Series 2020 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the initial offering prices (or at yields higher than the yields) set forth on the inside cover page hereof.

J.P. Morgan Securities LLC ("JPMS"), as an underwriter of the Series 2020 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2020 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020 Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their respective affiliates have provided, and may in the future provide, a variety

of these services to the Authority and to persons and entities with relationships with the Authority, for which it received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for its own account and for the accounts of its customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority. Each of the Underwriters and its affiliates may hold Prior Bonds and may receive proceeds from the refunding thereof through the issuance of the Series 2020 Bonds.

### **LEGAL INVESTMENT**

The Series 2020 Bonds will be eligible for deposit by banks in the Commonwealth to secure public funds and will be approved investments for insurance companies to qualify them to do business in the Commonwealth, as required by law.

### **LITIGATION**

At the time of delivery and payment for the Series 2020 Bonds, the Authority and PRPHA will deliver, or cause to be delivered, a certificate of the Authority and PRPHA substantially to the effect that there is no litigation or other proceeding now pending or threatened against the Authority or PRPHA of which the Authority or PRPHA has notice or, to the knowledge of the Authority or PRPHA, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020 Bonds, or in any way contesting or affecting the validity of the Series 2020 Bonds or any proceedings of the Authority or PRPHA taken with respect to the issuance or sale thereof or the refunding of the Prior Bonds, or the receipt, assignment, pledge or application of any moneys or security provided for the payment of the Series 2020 Bonds or the existence or powers of the Authority or PRPHA, or contesting in any material respect the completeness or accuracy of this Official Statement or any supplement or amendment thereto, or challenging the exclusion of interest on the Series 2020 Bonds from gross income for Federal income tax purposes.

### **LEGAL MATTERS**

All legal matters incident to the authorization and issuance of the Series 2020 Bonds are subject to the approval of Greenberg Traurig, LLP, Philadelphia, Pennsylvania, Bond Counsel to the Authority. The issuance of the Series 2020 Bonds is conditioned upon the delivery on the date of issuance of the approving opinion of Bond Counsel in substantially the form attached to this Official Statement as APPENDIX E. Certain legal matters will be passed upon for the Authority by its General Counsel. Certain legal matters will be passed upon for PRPHA by its Special HUD

Counsel, Ballard Spahr LLP, Baltimore, Maryland and Cancio, Nadal & Rivera, L.L.C., San Juan, Puerto Rico, Counsel to PRPHA. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire Patton Boggs (US) LLP, Washington, D.C.

## **RATING**

S&P Global Ratings (“S&P”) has assigned its municipal bond rating of “AA-” with an outlook of stable to the Series 2020 Bonds. Any explanation of the significance of such ratings may be obtained only from S&P. There is no assurance that such rating will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if in the judgment of S&P circumstances so warrant. Any downward change in or withdrawal of the rating may have an adverse effect on the price at which the Series 2020 Bonds may be resold.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), PRPHA will execute and deliver a continuing disclosure agreement for the benefit of the owners of the Series 2020 Bonds issued from time to time under the Indenture (the “Disclosure Agreement”) to provide continuing disclosure. Pursuant to the Disclosure Agreement, PRPHA will undertake to provide annually, on or before 305 days after the end of each Federal fiscal year, commencing with the Federal fiscal year in which the Series 2020 Bonds are issued, to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (“MSRB”), certain financial information and other operating data with respect to PRPHA for and as of the end of each fiscal year (collectively, the “Annual Information”), as follows:

- The level of Capital Fund Allocations received by PRPHA from HUD;
- The amount of unobligated Capital Fund Allocations for the three most recent Federal fiscal years;
- The amount of unexpended Capital Fund Allocations for the five most recent Federal fiscal years;
- Changes in the Capital Fund Program materially affecting the level of funding to PRPHA;
- Statutory or regulatory changes in the Capital Fund Allocations Formula materially affecting the level of funding to PRPHA;
- Any material change in direct payment of debt service funds for payment of the Series 2020 Bonds to the Trustee of which PRPHA is aware; and
- An update of the information and operating data contained herein under the headings “PUERTO RICO PUBLIC HOUSING ADMINISTRATION” and “CAPITAL FUND PROGRAM.”

In addition, PRPHA will undertake in the Disclosure Agreement, for the benefit of the owners of the Series 2020 Bonds, to provide to the EMMA system of the MSRB, not later than

ten (10) business days after the occurrence of such event, the notices required to be provided by Rule 15c2-12.

The notices required to be provided by Rule 15c2-12, which PRPHA will undertake to provide as described above, include notices of any of the following events with respect to the Series 2020 Bonds (collectively, the “Event Filings”): (1) principal and interest payment delinquencies; (2) non-payment 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 IRS of proposed or final determinations of taxability, notices of proposed issue or other material notices or determinations with respect to the tax status of the Series 2020 Bonds, or other material events affecting the tax status of the Series 2020 Bonds; (7) modifications to rights of the owners of the Series 2020 Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of PRPHA; (13) the consummation of a merger, consolidation, or acquisition involving PRPHA or the sale of all or substantially all of the assets of PRPHA, 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 Series 2020 Bonds, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bondholders, 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 PRPHA, any of which reflect financial difficulties.

In addition, AAFAF, as Dissemination Agent, will undertake, for the benefit of the owners of the Series 2020 Bonds, to provide to the EMMA system of the MSRB, in a timely manner, notice of any failure by PRPHA to provide the Annual Information by the date required in the undertakings of PRPHA described above.

If PRPHA fails to comply with any provisions of the Disclosure Agreement, then the Trustee and, as a direct or third party beneficiary, as the case may be, any owner of the Series 2020 Bonds may take such actions as may be necessary and appropriate against PRPHA, for the equal benefit and protection of all owners similarly situated, including by mandamus or other suit or proceeding at law or in equity, and may compel PRPHA to perform and carry out its duties thereunder; provided that the sole and exclusive remedy for breach or default under the Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the undertakings contained therein, and no person or entity may recover monetary damages thereunder under any circumstances; provided further, however, that the rights of any owner of Bonds to challenge the adequacy of the information provided by PRPHA is conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of owners of the Series 2020 Bonds upon the occurrence of an Event of Default described in the Indenture. A breach or default under the Disclosure Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Disclosure Agreement, insofar as the

provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. Beneficial Owners of the Series 2020 Bonds are third party beneficiaries of the Disclosure Agreement and, as such, are deemed to be owners of the Series 2020 Bonds for the purposes of exercising remedies.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data. Where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Disclosure Agreement, however, may be amended or modified without the consent of the owners of the Series 2020 Bonds under certain circumstances set forth in the Disclosure Agreement.

Copies of the Disclosure Agreement when executed and delivered by PRPHA on the date of the initial delivery of the Series 2020 Bonds will be on file at the office of AAFAF.

PRPHA has continuing disclosure undertakings in connection with the Prior Bonds pursuant to Rule 15c2-12. GDB and AAFAF, as reporting agents of PRPHA, have timely submitted the financial information and operating data reports and the material events disclosures as required in connection therewith. Nonetheless, PRPHA is in the process of adopting certain Continuing Disclosure Policies and Procedures as directed by AAFAF through its Administrative Order OA-2017-04.

### **MISCELLANEOUS**

The summaries and explanations of the Indenture, the Loan Agreement, the HUD Approval Letter and the ACC Financing Amendment contained herein do not purport to be complete and reference is made to said Indenture, the HUD Approval Letter and the ACC Financing Amendment for their full and complete provisions. The Appendices attached hereto are a part of this Official Statement. During the offering period, copies, in reasonable quantity, of the Indenture, the Loan Agreement, the HUD Approval Letter and the ACC Financing Amendment may be obtained upon written request directed to AAFAF.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2020 Bonds.

### **PUERTO RICO HOUSING FINANCE AUTHORITY**

By: /s/ Pablo G. Muñiz-Reyes  
Name: Pablo G. Muñiz-Reyes  
Title: Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture contains various definitions, covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the respective terms and provisions of the Indenture, to which reference is hereby made. Copy of the Indenture is available from the Authority or the Trustee.

#### THE INDENTURE

##### Definitions. (Section 1.1)

The Indenture defines certain terms, including the following:

“*ACC*” means the Capital Fund Allocation Rule (as defined below) and a Consolidated Annual Contributions Contract between the United States Department of Housing and Urban Development as in existence on the date of the Indenture and as it may be amended, modified or supplemented from time to time.

“*ACC Units*” means housing units of PRPHA which are covered by the ACC.

“*Account*” means any of the trust accounts, including the Funds, created and established by, or pursuant to, the Indenture.

“*Act*” means Act No. 17 of the Legislature of Puerto Rico, approved September 23, 1948, as amended, as affected by Act No. 103 of the Legislature of Puerto Rico, approved August 11, 2001, and Act No. 107 of the Legislature of Puerto Rico, approved July 31, 2002, as amended from time to time.

“*Amortized Value*” means, for purposes of calculating the redemption Price of any Bond, the principal amount of the Bond to be redeemed, multiplied by the price of such Bond, expressed as a percentage, calculated based upon the industry standard method of calculating bond prices (currently provided in Rule G-33 of the Municipal Securities Rulemaking Board), with a delivery date equal to the Redemption Date, a maturity date equal to the stated maturity date of such Bond, and a yield equal to such Bond’s original reoffering yield set forth on the inside cover of the Official Statement.

“*Annual ACC Amendment*” means the annual amendment to the ACC to be executed by PRPHA and HUD (subject to the availability of appropriations and the allocation of such amounts to PRPHA by HUD) for allocation to PRPHA of annual Capital Fund Allocations.

“*Annual Plan*” means the annual agency plan submitted by PRPHA to HUD pursuant to 24 CFR Part 903, subpart B.

“*Authenticating Agent*” means the Trustee, or any other Fiduciary as may be authorized pursuant to the Indenture to perform the acts required of such agent in conformance with the provisions of the Indenture.

“*Authority*” or the “*Issuer*” means the Puerto Rico Housing Finance Authority, together with its successors and assigns.

“*Authorized Officer*” means the President, the Executive Director or any Vice President or Assistant Vice president of the Issuer or any other person duly authorized by the Board of Directors of the Issuer to act on behalf of the Issuer.

“*Banking Day*” means a day when banking institutions in the Commonwealth are not required or authorized to remain closed.

“*Beneficial Owner*” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“*Bond Counsel’s Opinion*” means an opinion signed by Greenberg Traurig, LLP or any other attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Issuer.

“*Bond Debt Service*” means, with respect to any particular Bond Year, an amount equal to the sum of (i) the Interest Requirement payable on the Bonds during such Bond Year, plus (ii) any Principal Requirements of the Bonds during such Bond Year.

“*Bond Debt Service Fund*” means the Bond Debt Service Fund established pursuant to Section 5.2 of the Indenture.

“*Bond Debt Service Reserve Facility*” means a Cash Equivalent deposited in the Bond Debt Service Reserve Fund in satisfaction of the Bond Debt Service Reserve Requirement, including any substitution of any such Cash Equivalent for cash in the Bond Debt Service Reserve Fund.

“*Bond Debt Service Reserve Fund*” means the fund established pursuant to Section 5.2 of the Indenture in which (1) the accrued interest from the sale of the Bonds, if any; (2) any amounts transferred from the Revenue Fund pursuant to Section 5.3 of the Indenture; and (3) any amounts transferred from the Bond Debt Service Reserve Fund pursuant to Section 5.6 of the Indenture, shall be credited.

“*Bond Debt Service Reserve Requirement*” means an amount equal to fifty percent (50%) of the maximum Bond Debt Service during any future Bond Year.

“*Bondholder*”, “*Holder*”, “*Owner*” or words of similar import means, when used with reference to a Bond, any Person who shall be the registered owner of any Outstanding Bond as set forth on the registration books maintained by the Registrar.

“*Bond Payment Date*” means any Interest Payment Date or Principal Payment Date.

“*Bonds*” means the Capital Fund Modernization Program Refunding Bonds (Puerto Rico Housing Projects) Series 2020.

“*Book-Entry Bonds*” means the Bonds for which a Securities Depository or its nominee is the Bondholder.



“*Borrower*” means PRPHA, together with its permitted successors and assigns.

“*Business Day*” means a Banking Day except (a) a Saturday or Sunday, (b) days on which banks located in the city in which the Designated Corporate Trust Office of the Trustee is located or in the city in which the principal office of any Paying Agent are required or authorized to remain closed, or (c) any day on which the New York Stock Exchange is closed.

“*Calendar Year*” means the period commencing on January 1 of each year and terminating on the next succeeding December 31.

“*Capital Fund Program*” means the federal housing assistance program established by Section 9(d) of the 1937 Housing Act, as amended (42 U.S.C. §1437g(d)), together with all successor or replacement federal programs pursuant to which PRPHA receives funds for the purpose of development, financing, modernization or otherwise in connection with the capital costs of public housing projects and the other purposes set forth in said Section 9(d).

“*Capital Fund Allocations*” means capital grant funds allocated by HUD to or on behalf of PRPHA in each Federal Fiscal Year pursuant to the Capital Fund Program. Unless specifically approved by HUD, the term Capital Fund Allocations shall exclude any Replacement Housing Factor Funds received or to be received by PRPHA. In all events, the Capital Fund Allocations are subject to appropriation by the United States Congress in each Federal Fiscal Year and allocation thereof to PRPHA.

“*Capital Fund Program Allocation Rule*” means final rules of HUD governing allocations of moneys under the Capital Fund Program, as set forth at 24 C.F.R. Part 905, as the same may be amended, modified or supplemented from time to time.

“*Cash Equivalent*” means a letter of credit, insurance policy, surety, guarantee or other security arrangement provided by an institution which has received a rating of its claims paying ability from the Rating Agency at least equal to the then existing respective rating on the Bonds or whose unsecured debt securities are rated at least the then existing respective rating on the Bonds (or the highest rating of short-term obligations if the Cash Equivalent is a short-term instrument) by the Rating Agency.

“*Certificate*” means a written document signed by an Authorized Officer or Authorized Officers attesting to or acknowledging the circumstances or other matters therein stated which Certificate shall not be required to be approved, adopted or ratified by action of the governing body of the Issuer.

“*CFF Amendment*” means the Capital Fund Financing Amendment to the ACC executed between PRPHA and HUD which, together with the HUD Approval Letter, authorizes the payment of Capital Fund Allocations to pay Transaction Costs.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder.

“*Commonwealth*” means the Commonwealth of Puerto Rico.

“*Costs of Issuance*” means, as shown on a Schedule II appended to the Indenture, all items of expense, directly or indirectly payable or reimbursable by or to the Issuer and related to the authorization, sale and issuance of Bonds, including, but not limited to, an Issuer’s Fees, printing costs, costs of preparation and reproduction of documents, filing and recording fees, surety bond premiums, underwriting fees, initial fees and charges of any Fiduciary, legal fees including bond and underwriter counsel fees and charges, fees and disbursements of consultants and professionals, cost of credit ratings, fees and charges for preparation, execution, initial registration, transportation and safekeeping of Bonds, and any other cost, charge or fee incurred in connection with the original issuance of Bonds.

“*Costs of Issuance Fund*” means the Costs of Issuance Fund established pursuant to Section 5.2 of the Indenture.

“*Date of Issue*” means the actual date of authentication and delivery by the Trustee and issuance by the Issuer of the Bonds.

“*Defeasance Securities*” means (i) securities described in clause (1) of the definition of Investment Securities, and (ii) certificates, receipts or other evidences of the beneficial ownership of obligations of the type described in clause (1) of the definition of Investment Securities or in the principal of or interest on such obligations; and which, in any case, (x) are not subject to redemption by the obligor thereon prior to their maturity, and (y) are at the time of acquisition a legal investment of the Issuer.

“*Depository*” means any commercial bank, trust company or national banking association selected by the Issuer or the Trustee as a depository of moneys or securities held under the provisions of the Indenture, and may include the Trustee or any Paying Agent.

“*Depository Agreement*” means the General Depository Agreement, HUD Form 51999, as amended by the HUD Approval Letter, between PRPHA and the Depository, which is required by HUD to be placed on any account which includes Federal funds, which shall, for purposes of the Indenture, include the proceeds of the Bonds and the Capital Fund Allocations received by PRPHA.

“*Designated Corporate Trust Office*” means the office or offices of the Trustee, the Registrar or any Paying Agent designated by such Trustee, Registrar or Paying Agent to perform certain duties or receive certain notices under the Indenture, the notice address or addresses of which are set forth in, or provided pursuant to, Section 13.9 of the Indenture.

“*DOH*” means the Department of Housing of the Commonwealth.

“*DTC*” shall have the meaning given to such term in Section 3.11 of the Indenture.

“*Escrow Agent*” means US Bank Trust National Association, in its capacity as Escrow Agent for the 2003 Bonds and the 2008 Bonds, together with any permitted successors and assigns in their respective capacities as “escrow agent” under the Escrow Agreement.

“*Escrow Agreement*” means the Escrow Deposit Agreement dated as of October 13, 2020 among the Issuer, the 2003 Trustee, the 2008 Trustee and the Escrow Agent, as the same may be amended. Modified or supplemented from time to time.

“*Event of Default*” means (i) with respect to the Loan Agreement, those events specified as such in Section 6.1 thereof, and (ii) with respect to the Indenture, any of the events defined as such in Section 10.1 of the Indenture.

“*Federal Fiscal Year*” means, for each year, October 1 through September 30.

“*Fiduciary*” means the Trustee, the Registrar, the Authenticating Agent, any Depositary, any Paying Agent or tender agent and any such additional fiduciary as may be authorized pursuant to the Indenture, or any or all of them as may be appropriate.

“*Final Bond Debt Service Schedule*” means the final debt service schedule submitted to HUD after pricing the Bonds pursuant to the HUD Approval Letter.

“*Fiscal Year*” means the annual accounting period of the Issuer as established by the Issuer or by applicable law from time to time.

“*Fund*” means any of the trust funds created and established by, or pursuant to the Indenture.

“*Government Development Bank*” or “GDB” means the Government Development Bank for Puerto Rico.

“*Government Obligations*” means (i) any direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America and (ii) certificates of ownership of the principal of or interest on obligations of the type described in clause (i) of this definition, (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

“*HUD*” means the United State Department of Housing and Urban Development.

“*HUD Approval Letter*” “HUD Approval Letter” means the letter from HUD to PRPHA dated July 25, 2019, as supplemented by a letter dated September 3, 2020, approving the issuance and sale of the Bonds, the transfer by HUD of PRPHA’s Capital Fund Allocations to the Trustee to pay the Debt Service on the Bonds and the Final Bond Debt Service Schedule.

“*Indenture*” means the Indenture dated as of October 1, 2020, providing for the issuance of the Bonds of the Issuer, as may be modified, supplemented or amended from time to time.

“*Interest Payment Date*” means (a) any date upon which interest on the Bonds is due and payable in accordance with their terms, consisting of each June 1 and December 1, commencing December 1, 2020, and (b) for Bonds subject to redemption in whole or in part on any date, the date of such redemption.

“*Interest Period*” means the period from the Date of Issue to and including the day immediately preceding the first Interest Payment Date, and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

“*Interest Requirement*” means the amount of interest due and payable on the Bonds during any particular Bond Year.

“*Investment Securities*” means one or more of the following investments, but only if and to the extent any such investment is (i) at the time of acquisition by the Issuer a legal investment for the funds of the Issuer under the laws of the Commonwealth then in force, (ii) in conformity with the provisions of the Depository Agreement, and (iii) and only if such investment, in addition to rating requirements stated below, is rated by the Rating Agency at least as high as the outstanding ratings on the Bonds:

- (1) Government Obligations;
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
  - Export-Import Bank
  - Farm Credit System Financial Assistance Corporation
  - Farmers Home Administration
  - General Services Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - Government National Mortgage Association (GNMA)
  - U.S. Department of Housing & Urban Development
  - Federal Housing Administration;
- (3) Senior debt obligations which at the time of purchase (i) are rated by S&P at least as high as the rating of the United States of America, and (ii) are issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;
- (4) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short-term

certificates of deposit on the date of purchase of “A-1+” by S&P and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and which matures not more than 180 days after the date of purchase;

(6) Investments in a money market fund which at the time of purchase is rated “AAAm” or “AAAm-G” or better by S&P, including any proprietary mutual fund of the Trustee or an affiliate of the Trustee for which the Trustee or an affiliate of the Trustee serves as investment advisor;

(7) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of said Act and the regulations issued thereunder with counterparties (or affiliated guarantors) rated “AA” or better by S&P at the time of the execution and delivery of the agreement.

(8) Obligations the interest upon which is tax-exempt under the provisions of Section 103 of the Code, subject to such tax-exempt obligations being rated at the time of purchase within the two (2) highest general classifications established by the Rating Agency;

(9) Pre-refunded Municipal Obligations; and

(10) Investment agreements with providers (or affiliated guarantors) rated “AA” or better by S&P at the time of the execution and delivery of the agreement, or investment agreements otherwise approved in writing by S&P.

“*Issuer’s Fees*” means, as certified to the Trustee and PRPHA from time to time by the Issuer, which may be included as a component of interest cost in the amount of Bond Debt Service or Transaction Costs, the amount in each Bond Year sufficient to pay, or reimburse the Issuer for the payment of, the costs of any required financial audits, cash flows, arbitrage calculations and rebate analysis, Trustee fees and expenses, and Rating Agency fees.

“*Letter of Representations*” means, when all of the Bonds are Book-Entry Bonds, the Letter of Representations, executed by the Issuer and delivered to the Securities Depository and any amendments thereto or successor blanket agreements between the Issuer and any successor Securities Depository, relating to a system of Book-Entry Bonds to be maintained by the Securities Depository with respect to any bonds, notes or other obligations issued by the Issuer.

“*Loan*” means the loan made to PRPHA by the Issuer of the proceeds of the Bonds, as evidenced by the Loan Agreement.

“*Loan Agreement*” means the Loan Agreement, dated as of October 1, 2020, among the Issuer, the Trustee and PRPHA, as the same may be modified, supplemented or amended from time to time.

“*Official Statement*” means the Official Statement of the Issuer dated September 29, 2020 prepared in connection with the marketing of the Bonds, as may be supplemented or amended from time to time.

“*Opinion of Counsel*” means a written opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to the matter addressed by such opinion, selected by the Issuer.

“*Outstanding*” when used with reference to the Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date (including Bonds purchased by the Issuer, or by the Trustee at the direction of the Issuer);

(2) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.7, Section 6.4 or Section 9.5 of the Indenture; and

(3) any Bond deemed to have been paid as provided in Section 12.1(B) of the Indenture.

“*Paying Agent*” means the Trustee or any commercial bank or trust company with trust powers designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner in provided.

“*Person*” or “*person*” means and includes an association, unincorporated organization, a corporation, a partnership (including limited partnerships), a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision of, or any other public or private entity, or a natural person.

“*PRPHA*” means the Puerto Rico Public Housing Administration, a governmental agency of the Commonwealth attached to the Department of Housing of the Commonwealth, constituting a “public housing agency” within the meaning of Section 3(b)(6) of the 1937 Housing Act.

“*Pre-refunded Municipal Bonds*” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of the Rating Agency.

“*Principal Payment Date*” means any date on which any Outstanding principal amount of the Bonds becomes payable.

“*Principal Requirement*” means, for any Bond Year, the principal amount of such Bonds which matures during said Bond Year.

“*Project*” means, collectively, to (i) refund, on a current basis, all of the outstanding 2003 Bonds and 2008 Bonds, and (ii) pay certain costs of issuance of the Bonds.

“*Project Facilities*” means, together, the 2003 Project Facilities and the 2008 Project Facilities.

“*Project Fund*” means the Project Fund established pursuant to Section 5.2 of the Indenture, in which, (i) certain proceeds of the 2003 Bonds and certain investment earnings on funds held under the 2003 Indenture shall be transferred from the 2003 Trustee to the Trustee and; (ii) any insurance proceeds or condemnation proceeds respecting the 2008 Project Facilities which are not being applied to the extraordinary redemption of the 2008 Bonds, shall be deposited, as provided in Section 5.7 of the Indenture.

“*Rating Agency*” means S&P and any other nationally recognized securities rating agency, to the extent any such agency has been requested by the Issuer to issue a rating on the Bonds and such agency has issued and continues to assign a rating on such Bonds at the time in question.

“*Rebate Fund*” means the Rebate Fund established pursuant to Section 5.2 of the Indenture in which the balance of the funds deposited in the Revenue Fund by the Trustee after deducting the amounts deposited to the Bond Debt Service Fund, to the Bond Debt Service Fund, to the Bond Debt Service Reserve Fund and to the Issuer in payment of any one or more components of the Issuer’s Fees; provided, that the effect that any such transfer shall not adversely affect the exclusion of interest on the Bonds from federal income taxation, the balance will remain in the Revenue Fund.

“*Record Date*” means, (a) with respect to any Interest Payment Date described in subsection (a) of that defined term, (1) in the case of Bonds which are not Book-Entry Bonds, the Trustee’s close of business on the fifteenth (15<sup>th</sup>) day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day, and (2) in the case of Book-Entry Bonds, the Trustee’s close of business on the Business Day preceding the Interest Payment Date, and (b) with respect to any other Interest Payment Date, a date selected by the Trustee.

“*Redemption Date*” means the Business Day designated for redemption of the Bonds pursuant to the terms of the Indenture.

“*Redemption Price*” means, in the case of an extraordinary redemption of the Bonds pursuant to Section 6.1(B) of the Indenture, the Amortized Value of such Bond plus interest accrued thereon to, but not including, the Redemption Date.

“*Registrar*” means the Trustee, the Authenticating Agent or any other agent of the Issuer at the office of which Bonds may be presented for registration, transfer, or exchange as provided in Section 3.4 of the Indenture.

“*Regulations*” means any applicable Internal Revenue Service Regulations promulgated in proposed, temporary or final form. Proposed regulations are “applicable” only if, in the event they are adopted in final form, such regulations would apply to the Bonds.

“*Replacement Housing Factor Funds*” means special Capital Fund Allocations appropriations for units subject to demolition or disposition authorized and allocated to PRPHA for replacement public housing and allocated each year when Capital Fund Allocations are attached.

“*Revenue Fund*” means the Revenue Fund established pursuant to Section 5.2 of the Indenture, in which, pursuant to the Loan Agreement, the Trustee shall deposit from or on account of the Capital Fund Program, those moneys agreed to by HUD, the Issuer and PRPHA.

“*Revenues*” means that portion of the Capital Fund Allocations permitted by HUD to be paid to the Trustee for Transaction Costs in accordance with the terms of the Loan Agreement and pursuant to the HUD Approval Letter and the CFF Amendment, subject to the availability of appropriations of such amounts and allocation thereof to PRPHA. Revenues may include any Capital Fund Allocations available to PRPHA for payment of Transaction Costs and under any effective Annual Plan and/or Annual ACC Amendment, including funds remaining Unobligated from previous PRPHA fiscal years, without regard to PRPHA fiscal year for which those funds were initially made available. Revenues shall also include all funds paid over to the Trustee by the 2003 Trustee for deposit into the Project Fund and all earnings on Funds and Accounts (other than the Rebate Fund and the Costs of Issuance Fund). In all cases, Revenues constituting Capital Fund Allocations are subject to appropriation in each Federal Fiscal Year and allocation thereof to PRPHA.

“*S&P*” means S&P Global Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer. Any reference in the Indenture to such Rating Agency shall be of no force and effect from and after the time, if any, that such Rating Agency shall no longer maintain a rating on the Bonds.

“*Securities Depository*” means a person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

“*Stabilized Base Unit Count*” has the meaning set forth in the CFF Amendment.

“*Supplemental Indenture*” means any amendment, modification or supplement to the Indenture which (i) has been duly executed and delivered by the Issuer and the Trustee, and (ii) was entered into in accordance with the provisions of Article VIII of the Indenture.

“*Tax Certificate*” means the Tax and No-Arbitrage Certificate, dated the date of issuance of the Bond and executed by an Authorized Officer and the Borrower, in connection with the issuance of the Bonds.

“*Transaction Costs*” means the sum of Bond Debt Service and the Issuer’s Fees.



“*Trust Estate*” means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture. The Costs of Issuance Fund and the Rebate Fund, and earnings thereon, are not part of the Trust Estate.

“*Trustee*” means The Bank of New York Mellon and any other person at any time substituted in its place as trustee in accordance with the Indenture, together with their respective successors and assigns.

“*Unobligated*” means those Capital Fund Allocations that are not subject to a binding agreement that will result in outlays, immediately or in the future.

“*1937 Housing Act*” means the United States Housing Act of 1937. (42 U.S.C. Section 1437, *et seq.*), as amended from time to time, and any successor legislation.

“*2003 Bonds*” means the Issuer’s Capital Fund Program Bonds (Puerto Rico Public Housing Projects), Series 2003, issued under the 2003 Indenture.

“*2003 Indenture*” means the Master Trust Indenture, dated as of December 1, 2003, by and between the Puerto Rico Housing Finance Authority and U.S. Bank Trust National Association, as trustee thereunder, securing the Authority’s 2003 Bonds, as amended, modified or supplemented.

“*2003 Project Facilities*” means the public housing units located at approximately 40 properties in the Commonwealth, financed in part with the proceeds of the Series 2003 Bonds.

“*2003 Reserve Funds*” means the reserve funds for the Series 2003 Bonds on account pursuant to the terms of the 2003 Indenture and released to PRPHA for the redemption of the Series 2003 Bonds and the funding of the Debt Service Reserve Fund for the Bonds.

“*2003 Trustee*” means U.S. Bank Trust National Association, as trustee under the 2003 Indenture.

“*2008 Bonds*” means the Issuer’s Puerto Rico Housing Finance Authority Capital Fund Modernization Program Subordinate Bonds (Puerto Rico Public Housing Projects), Series 2008, issued under the 2008 Indenture.

“*2008 Indenture*” means the Master Trust Indenture, dated as of August 1, 2008, by and between the Puerto Rico Housing Finance Authority and U.S. Bank Trust National Association, as trustee thereunder, securing the Issuer’s 2008 Bonds, as supplemented and amended.

“*2008 Project Facilities*” means the public housing units located at approximately 33 properties in the Commonwealth, financed in part with the proceeds of the Series 2008 Bonds.

“*2008 Reserve Funds*” means the reserve funds for the Series 2008 Bonds on account pursuant to the terms of the 2008 Indenture and released to PRPHA for the redemption of the Series 2008 Bonds and the funding of the Debt Service Reserve Fund for the Bonds.

“2008 Trustee” means U.S. Bank Trust National Association, as trustee under the 2008 Indenture.

“5-Year Plan” means PRPHA’s Five-Year Action Plan, and any amendments thereto, as defined in 24 CFR Part 903, Subpart B and approved by HUD.

**Authorization of Bonds; Conditions Precedent to Delivery of Bonds. (Sections 2.3 and 2.5.)**

In order to provide sufficient funds for the financing of the Project, obligations of the Issuer in the form of Bonds are authorized pursuant to the Indenture to be issued in one series in the original aggregate principal amount of \$249,155,000. No Bonds shall be issued until the conditions under the contained in Section 2.5 of the Indenture are satisfied. No additional Bonds are authorized to be issued under the Indenture. The Issuer reserves the right to enter into one or more additional trust indentures for its purposes and reserves the right to issue other obligations not secured by the Trust Estate for such purposes.

The Bonds shall be authenticated and delivered upon the order of the Issuer, but only upon the receipt by an Authenticating Agent of:

(A) Bond Counsel’s Opinion to the effect that (i) the Issuer is duly organized and existing with the powers, among others, to issue the Bonds to provide funds for the purposes for which the Bonds are being issued and to perform its obligations under the Indenture; (ii) the Issuer has the right and power to execute and deliver the Indenture; (iii) the Indenture has been duly and lawfully executed and delivered by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, and no other authorization for the Indenture is required; (iv) the Indenture creates the valid pledge which it purports to create of the Trust Estate held or set aside or pledged under the Indenture subject to the application of to the purposes and on the conditions permitted by the Indenture; (v) upon deposit of the Revenues with the Trustee, the Trustee has a valid lien on the Revenues, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity; and (vi) the Bonds are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms and the terms of the Indenture, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, and (vii) the Bonds have been duly and validly authorized and issued in accordance with law and the Indenture;

(B) written order as to the delivery of such Bonds, signed by an Authorized Officer, which order shall include a certification from PRPHA that issuance of the Bonds does not conflict with federal public housing requirements;

(C) evidence of the receipt by the Trustee of the amount of the proceeds of the Bonds to be deposited with the Trustee pursuant to Section 4.1 of the Indenture, which shall be conclusively established by the executed certificate of the Trustee so stating;

- (D) executed copies of the Indenture and Loan Agreement;
- (E) a copy of the HUD Approval Letter and CFF Amendment; and
- (F) such other documents, certificates or opinions as may be reasonably required by the Issuer.

**Negotiability, Transfer and Registry. (Section 3.4)**

All the Bonds issued under the Indenture shall be negotiable, subject to the provisions for registration, transfer and exchange contained in the Indenture and in the Bonds. So long as any of the Bonds remain Outstanding, the Issuer shall maintain and keep, at the Designated Corporate Trust Office of a Registrar, which may be one or more banks or trust companies or national banking associations appointed by the Issuer, books for the registration, transfer and exchange of Bonds. Upon presentation thereof for such purpose at said office, the Issuer shall register or cause to be registered in such books, and permit to be transferred thereon, any Bonds pursuant to such reasonable regulations as it or the Registrar may prescribe. So long as any of the Bonds remain Outstanding, the Issuer shall make all necessary provisions to permit the exchange of Bonds at the Designated Corporate Trust Office of the Registrar.

**Transfer of Bonds. (Section 3.5)**

(A) Each Bond shall be transferable only upon the books of the Issuer, which shall be kept for such purpose at the Designated Corporate Trust Office of the Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue in the name of the transferee a new Bond or Bonds, of the same principal amount, interest rate, maturity and other terms as the surrendered Bond.

(B) The Issuer and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer nor any Fiduciary shall be affected by any notice to the contrary.

**Regulations with Respect to Exchanges and Transfers. (Section 3.6)**

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute, and an Authenticating Agent shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Issuer or an Authenticating Agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except (i) with respect to the delivery of definitive Bonds in exchange for temporary Bonds, or (ii) as otherwise provided in the Indenture, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which

sums shall be paid by the Bondholder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Issuer shall not be obligated to issue, exchange or transfer any Bond during a period beginning on the opening of business on the date Bonds are selected for redemption and ending on the date of the mailing of notice of such redemption or transfer or exchange Bonds called or being called for redemption, except the unredeemed portion of Bonds being redeemed in part.

### **Bonds Mutilated, Destroyed, Stolen or Lost. (Section 3.7)**

Subject to the applicable laws of the Commonwealth, in case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer shall execute, and an Authenticating Agent shall authenticate a new Bond of like principal amount, interest rate, maturity, and other terms of the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of a Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to the Trustee that such Bond has been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing the Issuer and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to Section 3.7 of the Indenture shall comply with such other reasonable regulations as the Trustee may prescribe and pay such expenses as provided by any applicable law as the Issuer and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it in accordance with Section 3.9 of the Indenture.

If, after the delivery of such replacement Bond, the original Bond in lieu of which such replacement Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the Issuer in connection therewith.

### **Application of Bond Proceeds, Accrued Interest, Premium and Other Amounts. (Section 4.1)**

The net proceeds of sale of the Bonds equal to \$284,594,389.11 and certain funds respecting the Prior Bonds in the amount of shall be applied as follows:

(A) the sum of \$1,401,887.50 from proceeds of the Bonds shall be deposited into the Cost of Issuance Fund and used to pay costs of issuance;

(B) the sum of \$283,190,751.26 from proceeds of the Bonds shall be transferred to the Escrow Agent and used, together with other funds held by the Prior Trustee, to refund the Prior Bonds in accordance with the terms of the Escrow Agreement;

(C) the sum of \$19,790,500 from funds received from the Prior Trustee required to cause the Bond Debt Service Reserve Fund to equal the Bond Debt Service Reserve Requirement, taking into account the issuance of such Bonds, equal to \$19,790,500, shall be deposited to the credit of the Bond Debt Service Reserve Fund; and

(D) the balance of the funds received from the Prior Trustee, representing proceeds of the 2003 Bonds and investment earnings on funds held under the 2003 Indenture, shall transferred from the 2003 Trustee and deposited in the Project Fund.

**Establishment of Funds and Accounts as Part of the Trust Estate. (Section 5.2)**

In order best to provide for the proper administration of all moneys received as proceeds of the Bonds and constituting the Trust Estate (not including the Costs of Issuance Fund and earnings thereon, the Rebate Fund and earnings thereon, and any other amounts owing as rebate to the United States Treasury), there are created and established the following Funds and Accounts:

- (i) the Project Fund
- (ii) the Costs of Issuance Fund,
- (iii) the Revenue Fund,
- (iv) the Bond Debt Service Fund,
- (v) the Bond Debt Service Reserve Fund, and
- (vi) the Rebate Fund.

(A) All Revenues shall be credited to the Revenue Fund, as received.

(B) The following shall be credited to the Bond Debt Service Fund:

- (1) accrued interest from the sale of the Bonds, if any;
- (2) any amounts transferred from the Revenue Fund pursuant to Section 5.3 of the Indenture; and
- (3) any amounts transferred from the Bond Debt Service Reserve Fund pursuant to Section 5.6 of the Indenture.

(C) All such Funds and Accounts established as provided in the Indenture shall be held and maintained by the Trustee and shall be identified by the Trustee according to the designations provided in the Indenture in such manner as to distinguish such Accounts from the accounts established by the Issuer, and held and maintained by the Trustee, for any other of its obligations. All moneys or securities held by the Trustee or any Depository pursuant to the Indenture shall be held in trust and applied only in accordance with the provisions of the Indenture. All moneys credited to the Accounts shall be used for the purposes and disbursed as provided in Article V of the Indenture.

**Revenue Fund. (Section 5.3)**

Pursuant to the Loan Agreement, the Trustee shall receive for deposit in the Revenue Fund, from or on account of the Capital Fund Program, those moneys agreed to by HUD, the Issuer and PRPHA. Such moneys shall, upon receipt, be transferred by the Trustee to the Revenue Fund

(under the Indenture) and constitute Revenues under the Indenture. The Trustee shall promptly notify the Issuer in the event there is a failure to receive from HUD when due the full amount set forth in the Loan Agreement. All amounts so received shall be deposited in the Revenue Fund.

(A) Promptly upon receipt of amounts in the Revenue Fund, the Trustee shall make disbursements from the Revenue Fund, in the following order of priority:

(1) first, to the Bond Debt Service Fund, the amount necessary to make the payments required pursuant to Section 5.4(A) of the Indenture on the next succeeding Bond Payment Date;

(2) second, to the Bond Debt Service Fund, to be applied to the extraordinary redemption of Bonds, the proceeds of insurance or condemnation awards not applied to restoration of the Project Facilities following casualty loss or condemnation;

(3) third, to the Bond Debt Service Reserve Fund in the amount required to bring the balance therein to equal the Bond Debt Service Reserve Requirement;

(4) fourth, to the Issuer in the amount included in a written requisition from the Issuer in payment of any one or more components of the Issuer's Fees; and

(5) fifth, to the Rebate Fund, the balance; provided, that to the extent set forth in a Certificate accompanied by a Bond Counsel's Opinion to the effect that any such transfer shall not adversely affect the exclusion of interest on the Bonds from federal income taxation, the balance will remain in the Revenue Fund.

(B) Whenever so directed in a Certificate, the Trustee shall make payments from the Rebate Fund to the United States of America in accordance with the Code to the extent necessary to comply with the Issuer's covenants in Section 7.6 of the Indenture, and to comply with any Tax Certificate signed by an Authorized Officer and delivered in conjunction with the delivery of the Bonds.

#### **Bond Debt Service Fund. (Section 5.4)**

The Trustee shall make disbursements from the Bond Debt Service Fund as follows:

(A) On each Bond Payment Date, amounts sufficient for the following payments and in the following order of priority:

(1) first, to the Paying Agent the interest due on Outstanding Bonds on such Bond Payment Date, and

(2) second, to the Paying Agent the amount required for payment of the principal of Bonds due on such Bond Payment Date.

(B) Notwithstanding the provisions of Section 5.4 of the Indenture, no payments shall be required to be made into the Bond Debt Service Fund so long as the amount on deposit therein shall be sufficient to pay the final maturing Outstanding Bonds in accordance with their terms.

### **Costs of Issuance Fund. (Section 5.5)**

The Issuer creates and establishes a Costs of Issuance Fund, which Fund shall not be a part of the Trust Estate. That portion of the proceeds of the Bonds that is deposited into the Costs of Issuance Fund shall be available for disbursement to pay Costs of Issuance set forth in a Certificate. In connection with the issuance of the Bonds, the Issuer may direct the underwriters of the Bonds to deduct their compensation from the offering price, such that only the net purchase price is deposited with the Trustee for application to the appropriate Accounts in accordance with the Indenture. Following six (6) months from the Date of Issue, any funds remaining on deposit in the Cost of Issuance Fund shall be transferred to the Bond Debt Service Fund to pay the Bond Debt Service.

### **Bond Debt Service Reserve Fund. (Section 5.6)**

Moneys held for the credit of the Bond Debt Service Reserve Fund shall be transferred to the Bond Debt Service Fund whenever amounts are required to be so deposited in the Bond Debt Service Fund to provide for the payments required to be made therefrom pursuant to Section 5.4 of the Indenture.

(A) Moneys held for the credit of the Bond Debt Service Reserve Fund as of any Principal Payment Date or Interest Payment Date on the Bonds in excess of the Bond Debt Service Reserve Requirement, after payment of principal of and interest on the Bonds due on such date, shall be transferred to the credit of the Bond Debt Service Fund until no Bonds shall be Outstanding, and then, except as otherwise stated in the Indenture, to the payment of Transaction Costs and, second, to PRPHA for application in accordance with the Capital Fund Program provided that no such transfer to PRPHA shall be made until there shall have been filed with the Trustee a Bond Counsel's Opinion to the effect that such transfer will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(B) Upon receipt from the Prior Trustee, funds in respect of the Prior Bonds in the amount of in the amount of \$19,790,500 shall be credited to the Debt Service Reserve Fund.

### **Project Fund. (Section 5.7)**

Certain Proceeds of the 2003 Bonds and certain investment earnings on funds held under the 2003 Indenture shall be transferred from the 2003 Trustee to the Trustee and deposited in the Project Fund. Following the redemption in full of the Prior Bonds, investment earnings on amounts held under the Escrow Agreement shall be transferred from the Escrow Agent to the Trustee and deposited in the Project Fund. Such proceeds shall be used to finance the costs of capital projects respecting the 2003 Project Facilities. There shall also be deposited in the Project Fund any insurance proceeds or condemnation proceeds respecting the 2008 Project Facilities which are not being applied to the extraordinary redemption of the Bonds. Such insurance process or condemnation proceeds, if any, are to be applied to the restoration of the 2008 Project Facilities. Upon completion of the capital projects with respect to the Series 2008 Project Facilities. Upon completion of the capital projects or restoration, as applicable, all monies remaining in the Project Fund and not required to pay any costs of capital projects or restoration, as applicable, will be

transferred to the Bond Debt Service Fund and applied for the purposes set forth in Section 5.4 of the Indenture.

### **Deposits. (Section 5.8)**

In order to permit such amounts to be available for use at the time when needed, any amounts held in trust under the Indenture by any Fiduciary or Depository as such, including amounts held by the Trustee, may, if and as directed by the Issuer, be deposited in the commercial banking department of such Fiduciary or Depository which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary or Depository.

### **Investment of Funds. (Section 5.9)**

PRPHA (after consultation with its financial advisors) shall direct the Trustee in writing from time to time as to the investment of amounts in the Accounts, and the Issuer, DOH and PRPHA consent to any such direction. PRPHA (after consultation with its financial advisors) shall direct the Trustee to invest and reinvest the moneys in any Account in Investment Securities so that the maturity date, or withdrawal without penalty shall coincide as nearly as practicable, but in any case, shall not extend beyond, the times at which moneys are needed to be so expended. The Investment Securities purchased shall be held by the Trustee, or by such other Depository as permitted by the Indenture, and shall be accounted for at all times as part of such Account, and the Trustee, or such other Depository, shall keep the Issuer and PRPHA advised as to the details of all such investments. The foregoing notwithstanding, to the extent permitted by applicable law, PRPHA (after consultation with its financial advisors) may direct the Trustee to commingle moneys in the various Accounts for investment purposes and the Trustee may transfer Investment Securities from Account to Account at the then current market value on the books kept for such purpose without selling such Investment Securities.

(A) Except as otherwise provided in the Indenture, Investment Securities purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof (other than with respect to the Rebate Fund, which amounts shall be retained therein) shall be deposited in the Bond Debt Service Fund and used for the payment of Debt Service, except to the extent directed by the Issuer to be transferred to the Rebate Fund for payment of rebate pursuant to the Issuer's covenants in Section 7.6 of the Indenture.

### **Valuation and Sale of Investments. (Section 5.10)**

(A) In computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at their Value, as defined in the Indenture, plus accrued interest in each case. "Value," which shall be determined for purposes of the Indenture on each Principal Payment Date and for all other purposes as provided in the Indenture, means the value of any investments calculated as follows:

- (1) as to (i) certificates of deposit and banker's acceptances, and (ii) as to any investment not specified in (2), (3) or (4) below: the par value or if



purchased at other than par at the lesser of cost or amortized value except as otherwise provided by the Indenture;

- (2) as to investments (other than those described in (1)(i)) the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (3) as to investments (other than those described in (1)(i) and (2)) the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers at the time making a market in such investments or the bid price published by a nationally recognized pricing service, if any; and
- (4) as to investments described in classes (7) or (10) of the definition of “*Investment Securities*,” the par value.

(B) Except as otherwise provided herein, the Trustee shall sell, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account held by it. As set forth under the Indenture, an Investment Security may be credited on a pro-rata basis to more than one Account and need not be sold in order to provide for the transfer of amounts from one Account to another.

#### **Disposition of Unclaimed Funds. (Section 5.11)**

Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal or Redemption Price of or interest on the Bonds remaining unclaimed for six (6) years after the payment thereof shall be paid (i) to HUD, if such moneys represent payments made by HUD (either directly or on behalf of PRPHA) and (ii) otherwise to the Issuer, whereupon all liability of the Issuer and the Trustee with respect to such money shall cease. All moneys held by the Trustee or any Paying Agent and subject to Section 5.11 of the Indenture shall be invested as directed in writing by PRPHA to the Trustee, and any investment earnings on such unclaimed moneys shall be held in the account established for such unclaimed moneys.

#### **Redemption. (Section 6.1)**

(A) The Bonds are not subject to redemption at any time at the option of the Issuer.

(B) The Bonds are subject to extraordinary redemption by the Issuer, at the direction of PRPHA, in whole or in part on any Business Day at the Redemption Price thereof:

(1) from and to the extent of insurance proceeds or condemnation awards deposited therefor in the Bond Debt Service Fund as a result of the destruction or condemnation

of all or a portion of the 2008 Project Facilities in the event that such funds are not applied toward the repair, rebuilding or replacement of such 2008 Project Facilities; and

(2) from legally available funds of PRPHA, if PRPHA reduces its public housing units more than five percent (5%) cumulatively below the Stabilized Base Unit Count, in an amount and to the extent required by Section 4(H) of the ACC Financing Amendment; provided in no event will such amount exceed an amount required to maintain a coverage ratio of Capital Fund Allocations to Bond Debt Service of more than 3.0 to 1.0.

(C) The Issuer shall provide the Trustee with written notice of the redemption of Bonds pursuant to Section 6.1(B) of the Indenture, which notice shall specify (i) the maturities and principal amounts of each maturity of Bonds to be redeemed, which shall be as nearly as practicable on a pro rata basis from each remaining maturity of the Bonds then Outstanding, (ii) the Redemption Price, and (iii) the Redemption Date.

### **Selection of Bonds to Be Redeemed. (Section 6.2)**

In the event of redemption of less than all the Bonds, the Trustee shall assign to each such Outstanding Bond a distinctive number for each minimum denomination of the principal amount thereof so as to distinguish each such minimum denomination from each other portion of the Bonds subject to such redemption. The Trustee shall select the Bonds for redemption (i) in accordance with the Issuer's notice of redemption pursuant to Section 6.1(C) of the Indenture, and (ii) by lot within each maturity. For purposes of Section 6.2 of the Indenture, Bonds which have theretofore been selected for redemption shall not be deemed Outstanding.

Any integral multiple of a minimum denomination may be utilized in connection with the partial redemption of the Bonds issued and such Bonds shall be subject to selection for redemption in the amount of such multiple but otherwise in accordance with Section 6.2 of the Indenture.

### **Notice of Redemption. (Section 6.3)**

When the Trustee shall receive notice from the Issuer of its election or direction to redeem Bonds, the Trustee shall give notice, in the name of the Issuer, of the redemption of such Bonds. Such notice shall specify the maturities of the Bonds to be redeemed, the Redemption Date, the Redemption Price and the place or places where amounts due upon such redemption will be payable and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the principal thereof, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by first class mail or registered or certified mail, return receipt requested (such delivery method to be determined by the Trustee), not less than fifteen (15) days nor more than thirty (30) days before the Redemption Date, to the registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of Bonds with respect to which no such failure

occurred. With respect to Book-Entry Bonds, if the Trustee sends notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. Upon direction in writing by the Issuer, further notice shall be given by the Trustee in such manner as may be required or suggested by regulations or market practice at the applicable time, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in the Indenture.

In addition to the foregoing, the redemption notice shall contain with respect to each Bond being redeemed, (1) the CUSIP number, (2) the Date of Issue, (3) the interest rate, (4) the maturity date, and (5) any other descriptive information determined by the Trustee to be needed to identify the Bonds. The Trustee shall also send each notice of redemption at least thirty (30) days before the redemption date to (A) any Rating Service then rating the Bonds to be redeemed; (B) all of the registered clearing agencies known to the Trustee to be in the business of holding substantial amounts of bonds of a type similar to the Bonds; and (C) one or more national information services that disseminate notices of redemption of bonds such as the Bonds.

#### **Payment of Redeemed Bonds. (Section 6.4)**

Notice having been given by mail in the manner provided in Section 6.3 of the Indenture, the principal of, plus interest accrued and unpaid to the Redemption Date for such Bonds or portions thereof shall become due and payable on the Redemption Date so designated, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid. If there shall be called for redemption less than the entire principal amount of a Bond, the Issuer shall execute, the Authenticating Agent shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the Owner, Bonds of like maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like maturity to be redeemed, together with interest to the Redemption Date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the Redemption Date, interest on the Bonds or portions thereof of such maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. Copies of all notices given pursuant to Section 6.4 of the Indenture shall be sent by the Trustee to HUD. HUD shall be notified in writing by the Issuer of any unscheduled redemption of Bonds at least thirty (30) days prior to the next date on which HUD is scheduled to pay Debt Service to the Trustee, and provided with a revised Debt Service schedule and any other documents requested by HUD. Should all or a portion of any Debt Service payment be made to the Trustee that exceeds the amount due for Debt Service for any reason, the Trustee shall return such overpayment to the U.S. Department of the Treasury promptly but no later than three (3) Business Days after learning of such overpayment.

#### **Power to Issue Bonds and Pledge Revenues. (Section 7.4)**

The Issuer covenants that it is duly authorized under all applicable laws to issue the Bonds and to execute and deliver the Indenture and to pledge the Revenues and other moneys, securities, funds, rights and interests purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and legally enforceable limited obligations of the Issuer in accordance with their terms and the terms of the Indenture.

#### **Tax Covenants. (Section 7.6)**

The Issuer shall at all times do and perform all acts and things necessary or desirable and shall refrain from such acts as shall be necessary in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof under provisions of the Code.

(A) The Issuer shall comply with all requirements of any Tax Certificate executed and delivered by Authorized Officer in connection with the Bonds, unless the Issuer has received a Bond Counsel's Opinion to the effect that such compliance is no longer necessary in order to assure that interest paid on the Bonds is excludable from the gross income of the recipients thereof, under the provisions of the Code.

#### **Budget and Collection of Revenues. (Section 7.7)**

(A) The Loan Agreement shall require PRPHA to budget from amounts to be received by PRPHA pursuant to the Capital Fund Program in each fiscal year amounts sufficient to pay all Transaction Costs when due, and further to agree not to budget, requisition from HUD or expend amounts to be received pursuant to the Capital Fund Program in any fiscal year if the effect of such budget, requisition or expenditure would be to reduce the amount of Revenues to be received by PRPHA pursuant to the Capital Fund Program for such fiscal year below the amount needed, or adversely affect the availability of Revenues at the times required, to pay all Transaction Costs when due. The Loan Agreement shall require PRPHA to agree to include such budgeted amount in its annual financial plan submitted to HUD.

(B) The Loan Agreement shall require PRPHA to execute and deliver and present to HUD for execution and delivery a CFF Amendment, which directs HUD to pay directly to the Trustee from and to the extent of Capital Fund Program moneys appropriated and available to PRPHA at such time, in the amount necessary to pay Bond Debt Service and Transaction Costs, and to execute separate Annual ACC Amendments to authorize such payments. Amounts to be paid by HUD shall be requested to be paid to the Trustee no earlier than three (3) Business Days and no later than one (1) Business Day before each Bond Payment Date. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners of Bonds under the Indenture against all claims and demands. From and after the sale and delivery of any of the Bonds of the Issuer, the Bonds shall be incontestable by the Issuer.

### **Alteration of Rights of Owners of Bonds. (Section 7.12)**

Except as otherwise provided in Section 9.2 of the Indenture, no limitations or alterations of the rights vested in the Issuer to fulfill the terms of the Indenture, and no impairment of the rights and remedies of the Owners of Bonds shall be made, until the Bonds, together with the interest thereon and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of those Owners of Bonds, are fully met and discharged.

### **Merger, Consolidation or Succession of the Issuer. (Section 7.13)**

Legislative actions may be taken in the future with respect to the organization or consolidation of agencies and instrumentalities that could result in the Issuer becoming part of another entity within the Commonwealth. In the event of any future merger, consolidation or succession of the Issuer and its assets, any such resulting or surviving entity would be bound by all covenants and agreements made by the Issuer herein.

### **Supplemental Indentures Not Requiring the Consent of Owners of Bonds. (Section 8.1)**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture not requiring the consent of Owners of Bonds may be executed by the Issuer and the Trustee for the following purposes:

- (1) to add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (2) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (3) to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Indenture;
- (4) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of the Revenues or of any other revenues or assets;
- (5) to create additional special trust accounts for the further securing of all Bonds issued pursuant to the Indenture if together with the Supplemental Indenture there is filed a Bond Counsel's Opinion to the effect that the creation and operation of such account will in no way impair the existing security of the Holder of any Outstanding Bond;
- (6) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provisions in the Indenture;
- (7) to provide for additional duties of the Trustee and other Fiduciaries;

- (8) to satisfy the requirements of a Rating Agency in order to obtain, maintain or improve the rating on any of the Bonds;
- (9) to make any other change which, in the judgment of the Trustee acting in reliance on Bond Counsel's Opinion, is necessary or desirable to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income tax and is not to the prejudice of the Trustee or Holders of the Bonds;
- (10) to make any change which, in Bond Counsel's Opinion, is not materially adverse to the interests of the Trustee or the Owners of Bonds; or
- (11) to make any change which has been submitted to and reviewed by the Rating Agency and for which the Rating Agency shall have confirmed in writing that such change will not itself result in the withdrawal or lowering of the rating on any Outstanding Bonds.

### **Supplemental Indentures Effective upon Consent of Owners of Bonds and HUD. (Section 8.2)**

At any time or from time to time, a Supplemental Indenture may be executed by the Issuer and the Trustee subject to consent by Owners of Bonds and HUD in accordance with and subject to the provisions of Article IX of the Indenture. Any such Supplemental Indenture shall become fully effective in accordance with its terms upon the execution thereof by the Issuer and the Trustee and upon compliance with the provisions of Article IX of the Indenture.

### **General Provisions. (Section 8.3)**

The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article VIII and Article IX of the Indenture. Nothing contained in Article VIII or Article IX of the Indenture shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.5 of the Indenture or the right or obligation of the Issuer to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to the Indenture. Any Supplemental Indenture permitted or authorized by Section 8.1 of the Indenture may be executed by the Issuer and the Trustee without the consent of any of the Owners of Bonds, but shall become effective only on the conditions, to the extent and at the time provided in said Section. The copy of every Supplemental Indenture delivered to the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully executed by the Issuer in accordance with the provisions of the Indenture and the Act, is authorized or permitted by the Indenture and the Act, assuming due authorization, execution and delivery by the other parties thereto, is valid and binding upon the Issuer, and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(A) The Trustee is authorized to accept the delivery of any Supplemental Indenture referred to and permitted or authorized by Section 8.1 or 8.2 of the Indenture and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in conclusively relying on an opinion of counsel (which may

be a Bond Counsel's Opinion) that such Supplemental Indenture is authorized or permitted by the provisions of the Indenture.

(B) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(C) No Supplemental Indenture, except as authorized pursuant to Section 8.1 of the Indenture, shall be effective until the Trustee receives written confirmation from the Rating Agency that the execution and delivery of such Supplemental Indenture will not itself adversely affect the rating on any Outstanding Bonds.

(D) No Supplemental Indenture shall be effective without the prior written consent of HUD.

### **Powers of Amendment. (Section 9.2)**

Except as provided in Article VIII of the Indenture, any modification of or amendment to the Indenture and of the rights and obligations of the Issuer or the Owner of any Bond under a Supplemental Indenture, may be made by a Supplemental Indenture and in the event such Supplemental Indenture shall be executed pursuant to Section 8.2 of the Indenture, with the written consent given as provided in Section 9.3 (i) of the Indenture of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, (ii) of HUD, and (iii) in case less than all of the several Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding however, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 9.2 of the Indenture. Notwithstanding the foregoing, no modification or amendment contained in any such supplemental indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount or Redemption Price of any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate, or the money or assets pledged under the Indenture or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of Section 10.10 of the Indenture. Notwithstanding the foregoing, the owner of any Bond may extend the time for payment of the principal or Redemption Price of or interest on such Bond; *provided, however,* that upon the occurrence of an Event of Default, funds available under the Indenture for the payment of the principal and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. For the purposes of Section 9.2 of the Indenture, the Bonds shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds. The Trustee may determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be

affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Issuer and all Owners of Bonds. The Trustee may exclusively rely on Bond Counsel's Opinion in making this determination.

### **Consent of Owners of Bonds. (Section 9.3)**

A copy of any Supplemental Indenture making a modification or amendment which is not permitted by the provisions of Section 8.1 of the Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners of Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Registrar on behalf of the Issuer to the Owners of Bonds to be affected by such proposed amendment or modification. Such Supplemental Indenture shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 9.2 of the Indenture, and (b) a Bond Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully approved by the Issuer in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and, assuming due authorization, execution and delivery by the other parties thereto, is valid and binding upon the Issuer, and (ii) a notice shall have been delivered as provided in Section 9.3 of the Indenture.

(A) The consent of an Owner of a Bond to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 14.4 of the Indenture. A certificate by the Trustee (a copy of which shall be retained by the Trustee) that it has examined such proof and that such proof is sufficient in accordance with such Section 14.4 of the Indenture shall be conclusive that the consents have been given by the Owners of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing with the Trustee, at least three (3) Business Days prior to the time when the written statement of the Trustee provided for in the Indenture is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 14.4 of the Indenture. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee (a copy of which shall be retained by the Trustee) to the effect that no revocation thereof is on file with the Trustee.

(B) At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer and the Trustee a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture approved by the Issuer and dated as of a specific date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in Section 9.2 of the Indenture shall be given to Owners of Bonds by the Issuer by mailing such notice to the Owners of Bonds not more than ninety (90) days after the Owners of the required percentages of Bonds shall have filed their



consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed. The Issuer shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by Section 9.3 of the Indenture to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Fiduciaries and the Owners of all Bonds at the expiration of forty (40) days after the filing with the Trustee of the proof of the first mailing of the notice of such consent, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period, except that any Fiduciary and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

#### **Modifications by Unanimous Consent. (Section 9.4)**

The terms and provisions of the Indenture and the rights and obligations of the Issuer and of the Owners of the Bonds under the Indenture may be modified or amended in any respect upon the execution by the Issuer and the Trustee of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3 of the Indenture, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification, amendment, assent or publication thereof shall be required.

#### **Exclusion of Bonds. (Section 9.5)**

Bonds owned or held by or for the account of the Issuer shall not be deemed outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in Article IX of the Indenture, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in Article IX of the Indenture. At the time of any consent or other action taken under Article IX of the Indenture, the Issuer shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

#### **Notation on Bonds. (Section 9.6)**

Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or Article IX of the Indenture may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Issuer and the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bonds at such effective date and presentation of such Bonds for such purpose at the Designated Corporate Trust Office of the Trustee or upon any transfer or exchange of any Bonds Outstanding at such effective date, suitable notation shall be made on such Bonds or upon any Bonds issued upon any such transfer or exchange by the Trustee as to any such action. If the Issuer or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and the Issuer shall be prepared, executed, authenticated and delivered, and upon demand of the Owner of any Bonds

then Outstanding shall be exchanged, without cost to such Bondholder, upon surrender of such Outstanding Bonds.

**Events of Default. (Section 10.1)**

- (A) Each of the following events is an “*Event of Default*”:
- (1) payment of the principal or Redemption Price of the Bonds, whether at maturity or otherwise, shall not be made when and as the same shall become due, subject to appropriation and availability of Capital Fund Allocations;
  - (2) payment of any installment of interest on the Bonds shall not be made when and as the same shall become due, subject to appropriation and availability of Capital Fund Allocations; or
  - (3) the Issuer shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee or the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds; provided that the Trustee or such Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall not provide written notice to the Issuer pursuant to Section 10.1(A)(3) of the Indenture, of any such failure, refusal or default until and after the Trustee has complied with the provisions of Section 10.1(B) of the Indenture.

(B) The Trustee shall not give the written notice referred to in Section 10.1(A)(3) of the Indenture unless or until (i) the Issuer has been advised by the Trustee that the Trustee believes that a reasonable basis exists to issue such written notice; (ii) a period of ten (10) Business Days has expired after receipt by the Issuer of such advice, during which period the Issuer shall have the opportunity to contest the basis for such written notice; and (iii) the Trustee has provided the Issuer with written confirmation that the Trustee disagrees with the Issuer’s position on the matter in question.

(C) Notwithstanding anything in the Indenture to the contrary, a failure by the Issuer to make payment of principal or Redemption Price of, or any installment of interest on, the Bonds shall not constitute a default or Event of Default hereunder if such failure is directly due to a failure by the United States Congress to appropriate funds for the Capital Fund Program.

**Remedies. (Section 10.2)**

(A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 10.1(A) of the Indenture, the Trustee shall promptly notify the Issuer and each Fiduciary of the existence of such Event of Default and shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (3) of Section 10.1(A) of the Indenture, the Trustee shall promptly notify the Issuer and each Fiduciary of the existence of such Event of Default and may proceed (and upon the written request of the Owners of not less

than twenty-five percent (25%) in principal amount of the Outstanding Bonds and with respect to an Event of Default specified in paragraph (3) of Section 10.0(A) of the Indenture, shall proceed) in its own name, subject to the provisions of Article XI of the Indenture, to protect and enforce the rights of the Owners of the Bonds by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners of Bonds, including the right to require the Issuer to carry out the covenants and agreements contained in, and to require the Issuer to carry out any other covenants or agreements with Owners of Bonds and to perform its duties as prescribed by law;
- (2) by bringing suit upon the Bonds;
- (3) by action or suit in equity, to require the Issuer to account as if it were the trustee of an express trust for the Owners of Bonds; or
- (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds.

(B) In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Issuer for principal, interest or otherwise, under any provisions of the Indenture or of the Bonds, with, to the extent permitted by law, interest on overdue payments at the rate of interest specified in such Bonds, together with any and all reasonable costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners of Bonds, and to recover and enforce a judgment or decree against the Issuer for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pretrial, trial and appellate attorney fees), and to collect from the Issuer any moneys adjudged or decreed to be payable.

(C) Upon the occurrence of any Event of Default, and on the filing of suit or other commencement of judicial proceedings to enforce the rights of the Owners of Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues, pending such proceedings, with such powers as the court making such appointment shall confer.

### **Priority of Payments After Default. (Section 10.3)**

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price of and interest then due on the Bonds, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity) and any other amounts received by the Trustee acting pursuant to Article X of the Indenture, after providing for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of Bonds and for the payment of the fees, charges, expenses and liabilities incurred and

advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Indenture, shall be applied as follows:

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

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, with interest upon such principal at the interest rate set forth in such Bonds from the respective dates upon which they shall have become due and payable, and, if the amounts available shall not be sufficient to pay in full all the Bonds due, together with such interest, then to the payment, first of such interest ratably, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference;

(A) Whenever moneys are to be applied by the Trustee pursuant to the provisions of Section 10.3 of the Indenture, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Issuer, to any Owner of a Bond or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to an Owner of a Bond any unpaid amount relating to such Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

#### **Termination of Proceedings. (Section 10.4)**

In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Issuer, the Trustee, and the Owners of Bonds shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

### **Owners of Bonds' Direction of Proceedings. (Section 10.5)**

Anything in the Indenture to the contrary notwithstanding, the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, *provided* that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

### **Limitation on Rights of Owners of Bonds. (Section 10.6)**

Except as otherwise specifically provided by Section 10.2(A) or by Section 10.6 of the Indenture, no Bondholder shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture unless such person is an Owner of one or more Bonds then Outstanding, and (1) an Event of Default shall have occurred and is continuing; (2) such Owner previously shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, (3) the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers of right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name, (4) there shall have been offered to the Trustee security and indemnity satisfactory to it against the fees, costs, expenses and liabilities to be incurred therein or thereby, (5) the Trustee shall have refused or neglected to comply with such request within sixty (60) days after its receipt of such written request and offer of indemnity and (6) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds then Outstanding; and such notification request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or by law. It is understood and intended that, except as otherwise above provided, no one or more Owners of Bonds secured by the Indenture shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all Owners of Bonds. Nothing contained in Article X of the Indenture shall affect or impair the absolute and unconditional right of any Owner of a Bond to receive payment of principal or Redemption Price of, and interest on the Bonds on and after the due date thereof, and to enforce the payment of the principal of and interest on its Bonds, or the obligation of the Issuer to pay the principal of and interest on each Bond issued or incurred hereunder, to the Owner thereof at the time and place in said Bond expressed.

(A) Anything to the contrary notwithstanding contained in Section 10.6 of the Indenture, or any other provision of the Indenture, each Owner of a Bond by its acceptance thereof

shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable pretrial, trial and appellate attorneys' fees and expenses, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five percent twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Owner of a Bond for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

**Waiver of Defaults. (Section 10.10)**

The holders of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee, waive any existing Event of Default and its consequences, except an Event of Default under Section 10.1(A)(1) or (2) of the Indenture. Upon any such waiver, the Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any Event of Default shall extend to or effect any subsequent Event of Default or shall impair any right or remedy consequent thereto.

**Notice of Event of Default. (Section 10.11)**

The Trustee shall give to the Owners of Bonds notice of each Event of Default under the Indenture known by a trust officer in the corporate trust department of the Trustee within ninety (90) days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; *provided*, that, except in the case of default in the payment of the principal of or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interest of the Owners of Bonds. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all Owners of Bonds, as the names and addresses of such Owners appear upon the books for registration and transfer of Bonds as kept by the Trustee, and (ii) to such other persons as is required by law.

**Restoration of Rights and Remedies. (Section 10.12)**

If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under the Indenture and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Bondholder, then the Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions under the Indenture, and all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

**No Acceleration. (Section 10.13)**

Notwithstanding any other provision of the Indenture to the contrary, neither of the holders of the Bonds nor the Trustee shall have the right to declare the principal of the Bonds to be immediately due and payable upon any Event of Default.

## **Certain Rights of the Trustee. (Section 11.2)**

Except as otherwise provided in Section 11.1 of the Indenture:

(A) the Trustee may conclusively rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other-paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(B) whenever in the Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate;

(C) the Trustee may consult with counsel of its selection and the advice of such counsel or an opinion of counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion;

(D) the Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the holders of twenty-five percent (25%) or more in aggregate principal amount of the Bonds;

(E) the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Issuer in person or by agent or attorney;

(F) the Trustee may execute any of its trusts or powers or perform any duties under the Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 11.5 of the Indenture, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(G) the Trustee is not required to take notice or deemed to have notice of any default or Event of Default under the Indenture, except Events of Default under Section 10.1(A)(1) and (2) of the Indenture, unless an Authorized Officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the Issuer or the holders of at least twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists;

(H) the Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Indenture;

(I) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of the Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(J) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of the Indenture and final payment of the Bonds;

(K) the permissive right of the Trustee to take the actions permitted by the Indenture shall not be construed as an obligation or duty to do so;

(L) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds; and

(M) in no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

#### **Compensation and Expenses of the Trustee. (Section 11.5)**

Unless otherwise provided by contract with the Trustee, the Issuer shall pay to the Trustee, from time to time, such compensation as shall be agreed upon in writing between the Issuer and the Trustee for all services rendered by it under the Indenture and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture.

#### **Qualifications of Trustee. (Section 11.6)**

There shall at all times be a trustee under the Indenture which shall be a corporation or banking association organized and doing business under the laws of the United States of America, the Commonwealth or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$50,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of Section 11.6 of the Indenture, the combined capital and surplus of such corporation or banking



association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of Section 11.6 of the Indenture, it shall resign promptly in the manner and with the effect specified in Article XI of the Indenture.

### **Resignation or Removal of Trustee; Appointment of Successor Trustee. (Section 11.7)**

(A) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to Article XI of the Indenture shall become effective until the acceptance of appointment by the successor Trustee under Section 11.8 of the Indenture.

(B) The Trustee may resign at any time by giving written notice to the Issuer. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition, at the expense of the Issuer, a court of competent jurisdiction for the appointment of a successor Trustee.

(C) Prior to the occurrence and continuance of an Event of Default under the Indenture, or after the curing or waiver of any such Event of Default, the Issuer or the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default under the Indenture, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Issuer or such holders, as the case may be, and delivered to the Trustee, the Issuer, and holders of the Outstanding Bonds. If an instrument of removal has been delivered to the Trustee and no successor Trustee has been appointed within thirty (30) days after the giving of such notice, the Trustee may petition, at the expense of the Issuer, a court of competent jurisdiction for the appointment of a successor Trustee.

(D) If at any time: (1) the Trustee shall cease to be eligible and qualified under Section 11.6 of the Indenture and shall fail or refuse to resign after written request to do so by the Issuer or the holder of any Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the Issuer may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (C) of Section 11.7 of the Indenture; or (B) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(E) The Issuer shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

### **Acceptance of Appointment by Successor Trustee. (Section 11.8)**

(A) Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to the Issuer and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed or conveyance become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the Issuer or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under the Indenture, and shall duly assign, transfer, deliver and pay over to the successor Trustee all the Trust Estate and moneys and other property then held under the Indenture. The successor Trustee shall promptly give written notice of its appointment to the holders of all Bonds Outstanding in the manner prescribed in the Indenture, unless such notice has previously been given.

(B) No successor Trustee shall accept appointment as provided in Section 11.8 of the Indenture unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 11.6 of the Indenture.

### **Merger, Succession or Consolidation of Trustee. (Section 11.9)**

Any corporation or association: (a) into which the Trustee is merged or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of Section 11.6 of the Indenture.

### **Defeasance. (Section 12.1)**

If the Issuer shall pay or cause to be paid to the Owners of the Bonds, the principal, purchase price and interest to become due thereon, at the times and in the manner stipulated therein and in the Indenture, and pay or cause to be paid to each Fiduciary its fees, costs and expenses, then the pledge of the Trust Estate, including any Revenues and other moneys, securities, funds and property pledged and all other rights granted by the Indenture shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Issuer, execute and deliver to the Issuer all such instruments as may be necessary and desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Issuer all moneys or securities held by them pursuant to the Indenture which are not required for the payment of Bonds.

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds the principal or Redemption Price of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, and pay or cause to be paid to each Fiduciary its fees, costs and expenses relating to such Bonds, and such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Issuer to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall,

upon the request of the Issuer, execute and deliver to the Issuer all such instruments as may be necessary and desirable to evidence such discharge and satisfaction.

(B) Notwithstanding the foregoing, the provisions of the Indenture relating to payment, registration and transfer of Bonds shall remain in effect until final maturity of the Bonds.

(C) Bonds or interest installments for the payment of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Issuer of funds for such payment or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 12.1(A) of the Indenture. All Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 12.1(A) of the Indenture if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article IV of the Indenture notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, and/or noncallable Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an independent firm of certified public accountants or other entity with similar experience acceptable to the Issuer, to pay when due the principal or Redemption Price, if any of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with Section 12.1 of the Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Except as provided in subsection (D), neither Defeasance Securities or moneys deposited with the Trustee pursuant to Section 12.1 of the Indenture nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of or Redemption Price, if any, and interest on said Bonds; but any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and to the extent not adverse to the tax-exempt status of such Bonds or any refunding obligations, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such maturity date of, as the case may be, and interest earned from such reinvestments shall be paid over to the Issuer, as received by the Trustee, free and clear of any trust, lien or pledge.

(D) Anything in the Indenture to the contrary notwithstanding, subject to the applicable laws of the Commonwealth, any money held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years (or such longer period of time provided by applicable Commonwealth law) after the date when all of the Bonds have become due and payable, to their stated maturity dates, if such moneys were held by the Fiduciary at such date, or for four (4) years (or such longer period of time provided by applicable Commonwealth law) after the date of deposit of such moneys if deposited with the Fiduciary after the date when all of

the Bonds became due and payable, shall, at the written request of the Issuer to the extent permitted by law, be repaid by the Fiduciary to the Issuer, except as may otherwise be required by the then applicable escheat laws of the Commonwealth, as its absolute property and free from trust. The Fiduciary shall thereupon be released and discharged; except that before being required to make any such payment to the Issuer or the Commonwealth and, if required by said escheat laws, the Fiduciary shall, at the expense of the Issuer, cause to be published such notice as required by such laws.

(E) Written notice of the defeasance of any Bonds shall be given to the Rating Agency and to HUD at least 60 days in advance of the planned defeasance. No defeasance of Bonds may be made with public housing assets other than Capital Fund Allocations without the prior approval of HUD.

#### **No Recourse Under Indenture or on Bonds. (Section 13.6)**

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any officer, employee or agent of the Issuer in its individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Indenture against any officer, employee or agent of the Issuer or against any person executing the Bonds.

#### **HUD Not Liable. (Section 13.7)**

The covenants, promises, agreements and obligations of the Issuer contained in the Indenture are not obligations of HUD, and the Bonds are not obligations of, or guaranteed by, HUD or the United States of America.

#### **Collection of Revenues; Recording and Filing. (Section 13.8)**

The Trustee covenants to cooperate with and assist the Issuer, and perform all acts reasonably requested by the Issuer, with respect to assuring the timely receipt of Revenues from HUD.

(A) The Issuer shall record and file all continuation of financing statements (and supplements) relating to the Bonds, the Indenture and all Supplemental Indentures (copies of which shall be provided to the Trustee by the Issuer), in such manner and in such places as may from time to time be required by law in order to preserve and protect fully the security of any Owners of Bonds and the rights of the Trustee under the Indenture. The Issuer shall be responsible for all costs of the preparation and filing of all continuation statements under the Indenture.

#### **Governing Law; Waiver of Jury Trial. (Section 13.10)**

The Indenture shall be governed by and construed in accordance with the laws of the Commonwealth; provided, however, that the rights, privileges, protections and immunities of the Trustee shall be governed by and construed in accordance with the laws of the State of New York. EACH OF THE ISSUER AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY AND ALL RIGHT TO TRIAL BY JURY

IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THE BONDS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**Severability. (Section 13.11)**

If any one or more of the covenants or agreements, or portions thereof, provided in the Indenture on the part of the Issuer, or of the Trustee or of any Paying Agent, to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the remaining provisions of the Indenture or of the Bonds; but the Owners of Bonds shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law.

**Federal Public Housing Requirements Control. (Section 13.13)**

To the extent that any provision of the Indenture is in conflict with the requirements of the 1937 Housing Act, as amended, the applicable provisions of Title 24 of the Code of Federal Regulations, or the ACC, as amended (collectively, "*Federal public housing requirements*"), such Federal public housing requirements shall control and govern in such instances of conflict, provided, however, that the provisions of the Indenture shall control in the case of a conflict between the provisions thereof and changes in the policies of HUD made after the date of the Indenture which are not the result of or required by a change in law.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The Loan Agreement contains various definitions, covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the respective terms and provisions of the Loan Agreement, to which reference is hereby made. Copy of the Loan Agreement is available from the Authority or the Trustee.

#### **The Loan. (Section 2.1)**

The Issuer agrees, upon the terms and subject to the conditions set forth in the Loan Agreement, to loan the proceeds of the Bonds to PRPHA, in the principal amount shown on Schedule I to the Indenture. In consideration for the Loan, PRPHA agrees under the Loan Agreement to provide for the assignment to the Trustee of Capital Fund Allocations sufficient to provide for the payment of Transaction Costs.

#### **Repayment Terms. (Section 2.2)**

(a) The payments of Transaction Costs will be made by a transfer to the Trustee by HUD on behalf of PRPHA of Capital Fund Allocations in an amount equal to Transaction Costs payable during the related Federal Fiscal Year pursuant to the CFF Amendment for deposit into the Revenue Fund in accordance with the terms of the Indenture. PRPHA will pledge and assign to the Authority and the Trustee, as security for the Series 2020 Bonds, such Capital Fund Allocations as are paid to the Trustee pursuant to the CFF Amendment, the HUD Approval Letter, and all amounts in the Funds as further set forth in Section 3.2 of the Loan Agreement.

(b) PRPHA agrees to budget from amounts to be received pursuant to the Capital Fund Program in each Federal Fiscal Year amounts sufficient to make the foregoing deposits and payments, and further agrees not to obligate, requisition from HUD or expend amounts to be received pursuant to the Capital Fund Program in any Federal Fiscal Year if the effect of such obligation, requisition or expenditure would be to reduce the amount of Revenues to be received by the Trustee pursuant to the Capital Fund Program for such Federal Fiscal Year below the amount needed to pay the annual Transaction Costs scheduled to be paid from funds received with respect to such Federal Fiscal Year and any previously unpaid Transaction Costs (including any amounts required to restore the Bond Debt Service Reserve Fund to the Bond Debt Service Reserve Requirement), or otherwise adversely affect the availability of Revenues, at the times required, to make the foregoing deposits and payments. PRPHA agrees to include such budgeted amount in each Annual Plan submitted to HUD, to submit such Annual Plan in timely fashion as required, and to execute each Annual ACC Amendment in at least the amount necessary for payment of annual Transaction Costs, and any previously unpaid such Transaction Costs (including any amounts required to restore the Bond Debt Service Reserve Fund to the Bond Debt Service Reserve Requirement). PRPHA agrees to submit the executed Annual ACC Amendment to HUD in at least an amount necessary to pay such Transaction Costs and any previously unpaid Transaction Costs (including any amounts required to restore the Bond Debt Service Reserve Fund to the Bond Debt Service Reserve Requirement) not later than seventy-five (75) days prior to the start of each

Federal Fiscal Year or the earliest date on which such Amendment may be executed under the rules and regulations of HUD (if such date is later). PRPHA further covenants and agrees that if in any Federal Fiscal Year, (i) the applicable annual Capital Fund Program shall not have been approved by HUD or (ii) the Annual ACC Amendment shall not have been executed, in either case by the later of (1) October 1 of the first year following the end of the applicable Federal Fiscal Year with respect to which such funds were appropriated, or (2) sixty (60) days prior to the first scheduled Bond Payment Date for Transaction Costs following such October 1, PRPHA will prepare and deliver to HUD promptly (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund plan and/or an Annual ACC Amendment to the extent and in an amount sufficient to make the applicable Transaction Costs payment, which HUD has agreed to approve immediately upon receipt in the CFF Amendment. In all events, PRPHA shall not deduct from such Transaction Costs shown in any Annual Plan or Annual ACC Amendment any amounts otherwise available under the Indenture for payment of such Transaction Costs, including amounts held in the Bond Debt Service Reserve Fund and interest earnings on funds and accounts.

(c) PRPHA hereby agrees to pay, from legally available funds of PRPHA, the Redemption Price of Bonds subject to extraordinary redemption pursuant to Section 6.1(B)(2) of the Indenture, as required by the CFF Amendment.

### **Liability of PRPHA. (Section 2.3)**

PRPHA shall be liable for payments required to be made pursuant to the Loan Agreement solely to the extent of its Unobligated Capital Fund Allocations received in each Federal Fiscal Year.

### **Unconditional Obligations of PRPHA. (Section 2.8)**

The payment of Transaction Costs from the sources identified herein shall be absolute and unconditional, regardless of any defense or any rights of set-off, recoupment, or counterclaim that PRPHA might otherwise have against the Trustee, the Issuer, or any other parties to this transaction. During the term of the Loan Agreement, and solely to the extent of Unobligated Capital Fund Allocations, PRPHA shall make all Transaction Cost payments without abatement or set-off notwithstanding any bankruptcy, insolvency, liquidation, dissolution, or nonexistence of the Issuer, the nonperformance by the Trustee or the Issuer of any obligation under the Bonds, or any other circumstance or event that might otherwise relieve PRPHA from its obligation to make the prescribed payment. Until the Transaction Costs have been fully paid, PRPHA (i) will perform all of the obligations and agreements contained in the Loan Agreement, and (ii) will not terminate the Loan Agreement for any reason, including but not limited to: the sale or other assignment of, damage to or destruction of all or part of any property financed by the Bond; commercial frustration of purpose; the occurrence of any acts or circumstances that may constitute a failure of consideration; any change in the tax laws of the United States of America or of the Commonwealth or any political subdivision thereof; or any failure of the Trustee or the Issuer to perform and observe any agreement or obligation, express or implied, arising in connection with the Loan Agreement.



**Loan Proceeds. (Section 3.1)**

As soon as practicable upon the delivery of the Bonds and at the direction of the Authority, the Trustee shall deposit the proceeds of the Bonds in the Funds and Accounts created under the Indenture to be applied in accordance with the terms of Section 4.1 of the Loan Agreement.

**Pledge of Funds. (Section 3.2)**

(a) A pledge of the Revenues and of all moneys and securities held or set aside or to be held or set aside by the Trustee in the Funds created under the Indenture (other than the Cost of Issuance Fund and earnings thereon, the Rebate Fund and earnings thereon, and any other amounts owing as rebate to the United States Treasury) is hereby made by PRPHA in favor of the Issuer and the Trustee, and the same are pledged, to secure the payment of Transaction Costs, in the priorities set forth therefor in the Indenture.

(b) To the fullest extent provided by the Act and other applicable laws, the money and property hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be valid and binding against all parties having claims in tort, contract or otherwise against PRPHA, irrespective of whether such parties have notice of the claim.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX C**

**HUD APPROVAL LETTER**

[THIS PAGE INTENTIONALLY LEFT BLANK]



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING  
OFFICE OF CAPITAL PROGRAMS DIVISION

September 3, 2020

Mr. William Rodriguez  
Administrator  
Puerto Rico Public Housing Administration  
606 Barbosa Avenue  
Rio Piedras, Puerto Rico 00928

Dear Mr. Rodriguez:

Thank you for your submission to the U.S. Department of Housing and Urban Development (“HUD”) dated July 21, 2020, and subsequent supporting documents (collectively, the “Submission”) requesting certain approvals in connection with a Capital Fund Financing Program (as set forth and described in 24 CFR part 905, subpart E, the “CFFP Program”) transaction with an estimated debt service term of eight (8) years. Puerto Rico Public Housing Administration (the “Administration”) had previously submitted a CFFP proposal for approval of this transaction, and received an approval letter from HUD dated July 25, 2019 (the “Original Approval”). The Original Approval acknowledged that notwithstanding the fact that the provisions of Section 204(d) of the Puerto Rico Oversight Management and Economic Stability Act of 2016 (PROMESA) did not require Oversight Board approval of the CFFP Proposal as a federally delegated program, the Puerto Rico Housing Finance Agency (PRHFA), the issuer of the bonds, requested such approval. The Oversight Board’s authority (in all matters) was challenged in federal court on the basis of improper appointment of the Board Members thereof under the Appointments Clause of the U.S. Constitution. The transactions contemplated under the Original Approval were therefore put on hold during the pendency of that claim, which was ultimately decided on June 1, 2020, with an opinion of the Supreme Court establishing that the Oversight Board member appointments conformed with the Appointments Clause of the U.S. Constitution. The Original Approval contemplated moving forward with the transaction without the need for further approval from HUD once there was a determination from the Supreme Court. However, enough time has elapsed since the Supreme Court decision, that a number of submission items upon which the Original Approval was based, required revision. Therefore, the Administration resubmitted its CFFP Proposal with the updated submissions. The PRHFA received approval of the revised CFFP proposal from the Oversight Board on July 24, 2020.

As set forth in the Submission, the Administration is requesting certain approvals in connection with a bond issuance by the PRHFA in an amount not to exceed \$335,000,000 (the “2020 Bonds”) pursuant to a Trust Indenture with the Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”). The proceeds of the 2020 Bonds will be loaned (the “Loan”) to the Administration by the PRHFA pursuant to a Loan Agreement among the Administration, the PRHFA and the Trustee. The Administration will enter into the General Depository Agreement GDA (HUD-51999, 4/18) described below between the Administration and the Trustee, as depository (the “Depository”), with respect to the deposit of the proceeds of the 2020 Bonds and the Capital Fund Allocations (as defined below) received by the Administration (the foregoing, together with the other documents executed by the Administration in connection with the issuance of the 2020 Bonds and making of the Loan, collectively, the “Loan Documents”). The Administration will use the proceeds to (i) repay PRHFA’s previous loans made to the Administration from the proceeds of the Capital Fund Modernization Program Subordinate Bonds (Puerto Rico Public Housing Projects), Series 2008 (Non-AMT) and Capital Fund Modernization Program Bonds (Puerto Rico Public Housing Projects), Series 2003, each issued by the PRHFA (collectively, the “Prior Bonds”) and cause the redemption of the Prior Bonds, (ii) to make a deposit into the debt service reserve fund for the 2020 Bonds, and (iii) to pay certain costs of issuance of the 2020 Bonds.

Based upon our review of the information and materials included with the Submission, the undersigned, on behalf of HUD, provides the following approvals and determinations.

1. HUD hereby approves the execution by the Administration of the Loan Documents in substantially the form submitted to HUD by the Administration as part of the Submission. Any substantive changes to the form of the Loan Documents that affect HUD's rights or obligations shall be submitted to HUD for review and approval by the Director of the Office of Capital Programs (the undersigned). Except as stated, no further approval of the Loan Documents by HUD shall be required. This approval does not constitute approval for any other agreements, series of bonds, or additional debt issued by the Administration.
2. Subject to the availability of appropriations, HUD hereby approves the use of Capital Fund grants (which is defined to include Capital Fund formula funds under Section 9(d) of the United States Housing Act of 1937 (the "Act") and any applicable successor program (the "Capital Fund Program"), and including Demolition Disposition Transitional Funding grants and Replacement Housing Factor Funding grants, if applicable, collective with the formula fund grants, the "Capital Fund Allocations") for payment of debt service on the Loan as presented in the estimated debt service schedule attached hereto ("Loan Debt Service"), and the pledge of such payments to the Trustee for the security and repayment of the holders from time to time of the 2020 Bonds. Following the execution of the Loan Documents, the final debt service schedule (the "Final Debt Service Schedule") shall be submitted to HUD. Unless approved by HUD, the Final Debt Service Schedule shall not exceed the estimated debt service schedule in any year by more than ten percent (10%).
3. HUD hereby determines that the Administration constitutes a "public housing agency" within the meaning of section 3(b)(6) of the Act and that the Loan constitutes a housing program obligation issued by a public housing agency in connection with low-income housing projects as described in section 11(b) of the Act. The provisions of 26 U.S.C. § 149(c)(2)(C)(iii) state that the interest on such obligations shall not be exempt from taxation under section 11(b) unless issued before June 19, 1984, and the provisions of 26 U.S.C. § 149(c)(1) state that any exemption of income on bonds from taxation, unless otherwise excepted, must derive from the Internal Revenue Code. HUD offers no opinion on the tax status of the 2020 Bonds.
4. Provided that the Administration submits the documents described below in the Post Approval Documentation section of this letter, HUD hereby agrees, subject to the availability of appropriations, to make Loan Debt Service payments on the Loan as reflected on the Final Debt Service Schedule automatically and directly to the Trustee for the benefit of the holders of the 2020 Bonds from time to time. HUD will establish a system of direct payment, by wire transfer or otherwise, to the Trustee.
5. HUD hereby agrees that amounts paid to the Trustee to make Loan Debt Service payments under the Loan Documents as reflected on the Final Debt Service Schedule are authorized and under current law are not subject to recapture, and that no regulatory waiver is necessary to disclaim effectively any right, title and interest of the United States in and to such amounts. Nothing in this paragraph shall prevent HUD from recapturing funds from the Administration (as opposed to the Trustee) in accordance with applicable law.
6. HUD further agrees that the Loan is being made by an entity that relies on the full and timely payment of such HUD amounts, subject to the availability of appropriations and

pursuant to this letter and the Capital Fund Financing Amendment to the Consolidated Annual Contributions Contract (the "ACC"). HUD further acknowledges and agrees that, notwithstanding the provisions of any HUD GDA that will be entered into between the Administration and the Depository permitting HUD as third-party beneficiary thereof to block payment from specified Administration accounts held with the Depository, HUD will not exercise such right if the effect would be to reduce or delay any scheduled debt service or full or partial prepayment on the Loan. HUD further acknowledges and agrees that in the event of a conflict between this Section 6 and the GDA, the obligation of HUD set forth in the previous sentence shall prevail.

7. HUD hereby agrees that interest earned on amounts paid to the Trustee for Loan Debt Service may be applied to pay Loan Debt Service or other Capital Fund Program eligible work items and need not be returned to HUD. In addition, HUD hereby determines that no regulatory waiver is necessary to permit such use.
8. Nothing in this letter is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction provided by law; provided, however, that HUD hereby agrees that no subsequent change in the permissible use of Capital Fund Program moneys and no administrative sanction regarding the Administration will affect the eligibility of expenditures for debt service on the Loan or reduce Capital Fund Allocations to the Administration, except as required by law, below the levels needed to pay such debt service.
9. HUD hereby waives any additional notice or consent required under the Federal Assignment of Claims Act.
10. Neither the 2020 Bonds nor the Loan are an obligation of or guaranteed by HUD or the United States of America. No action taken pursuant to the Loan Documents shall result in any liability to the Federal government. Appropriate statements to such effect shall be included in the Loan Documents. HUD's review of the Administration's Submission is limited to a review for compliance with CFFP Program requirements, and does not extend to the review of underwriting, including assumptions regarding the future receipt of Capital Fund Allocations, for which the Administration is solely responsible and which it pledges at its own risk. Given the tight budgetary environment, the Administration should be aware of the potential impact of reductions in appropriations. Any reductions in appropriations could cause the Administration to have less Capital Fund Allocations available for modernization or other eligible uses.
11. The pledge of Capital Fund Allocations under the Loan Documents is authorized for the purpose of securing Loan Debt Service, which is the source of repayment to the holders from time to time of the 2020 Bonds.
12. To the extent that Capital Fund Allocations to the Administration are reduced or recaptured because Capital Fund Program amounts previously allocated to the Administration remain unobligated or unexpended in violation of Section 9(j)(1) or (5)(A) of the Act (or any successor(s) thereto), HUD agrees that, (i) unless otherwise prohibited by law, any unobligated Capital Fund Allocations that are available to the Administration may be used, on a first priority basis, to the extent necessary, to pay Loan Debt Service, and (ii) to the extent permitted or provided by law, the recapture of all funds unobligated or unexpended in violation of said provisions of Section 9(j) shall serve to cure such violation(s).

Except as expressly provided herein, nothing in this approval letter is intended to modify or waive the Capital Fund Program requirements, which are all applicable to the use of the proceeds from the Loan. The Capital Fund Program requirements include but are not limited to: the preparation and submission to HUD of annual Capital Fund plans and budgets and the execution and delivery of the Capital Fund Financing Amendment to the ACC in the form prescribed by HUD. Changes in the work items funded with the proceeds beyond the thresholds described below are subject to written approval from the applicable HUD Field Office, in addition to any other HUD approvals that may be required:

- A change in the type of activity (e.g., development versus modernization) being financed.
- A change in the public housing project upon which the proceeds are being used.
- A reduction of twenty percent (20%) or more in the number of public housing units the proceeds will be used upon.
- An increase of twenty percent (20%) or more in the cost of non-dwelling space.

The Administration must report progress in completing work items funded with the proceeds from this issuance in an Annual Statement/Performance and Evaluation Report, which must be submitted to the applicable HUD Field Office on a quarterly basis, as well as incorporated in the Administration's annual Capital Fund plan. The Administration will continue to report progress until all work is completed, paid, and reflected in an annual audit. The Administration must report to the Field Office when the Prior Bonds have been paid off.

#### Post Approval Documentation Requirements.

Once the Administration and the Trustee have executed the documents relating to the Loan and the 2020 Bonds, the Administration must submit to HUD Headquarters a final closing binder containing copies of all executed documents relating to the Loan and the Bonds, together with a certification from the Administration and its counsel attesting that the changes requested by HUD have been made and that no other substantive changes to the Loan Documents contained in the Submissions (including no substantive changes to the Loan Documents changing HUD's rights or obligations) have been made since they were last approved by HUD. One (1) original and one (1) copy of the final closing binder must be received within 60 days of the issuance of the 2020 Bonds.

The Administration may proceed to execute three (3) originals of the Capital Fund Financing Amendment to the ACC. All three copies must be executed by the Administration and then delivered to the HUD Caribbean Field Office, where the Director of Public Housing will execute all originals on behalf of HUD. The Field Office will keep one original for their use and return the other two originals to the Administration. The Administration should retain one original, and the other original with two original signatures must be returned to the Office of Capital Improvements at HUD Headquarters.

Additionally, unless extended by HUD in writing, within 60 days of the date of this letter, the Administration shall submit to HUD: (1) cover letter from the Administration transmitting the final debt service schedule and attesting that the payments do not exceed the estimated debt service schedule approved by HUD in any year by more than ten percent (10%), (2) the Final Debt Service Schedule, (3) a complete and fully executed Direct Deposit Sign-Up Form (Standard Form 1199A with original signatures from the Administration and the Trustee), (4) a Tab Delimited file in the format required for uploading into LOCCS, and (5) an executed copy(s) of the HUD GDA. The items noted in this and the preceding paragraph shall collectively constitute the "Post Approval Documentation." Please refer to the CFFP Post Approval Documentation website for more detailed information:

<http://www.hud.gov/offices/pih/programs/ph/capfund/postapp.cfm>.



All submissions should be sent to:

Tom Shelton  
U.S. Department of Housing and Urban Development  
Office of Capital Improvements  
451 7th Street, SW, Room 4146  
Washington, DC 20410

Should you have any questions, please contact Tom Shelton, Office of Capital Improvements at (202) 402-4799.

Sincerely,

9/3/2020

X David Fleischman

David Fleischman

Signed by: DAVID FLEISCHMAN

David Fleischman  
Director, Office of Capital Programs Division

cc: Antonio Cordova, Public Housing Field Office Director

Enclosures: Exhibit A – Estimated Debt Service Schedule  
Exhibit B – Capital Fund Financing Amendment to the Consolidated ACC

Debt Service Schedule

Housing Authority Name: Puerto Rico Public Housing Administration  
 Loan Amount: Approximately \$255.7 million bond transaction  
 Interest Rate: 5% (ask as premium bonds). Please see scale in the next to  
 Interest Rate Fund? Yes  
 Term (in years): 8 years  
 Amortization Period: 8 years  
 Loan Payments Per Year: 2  
 Most Recent FY Formula Grant (F): FY 2018  
 Amount of Most Recent Formula Grant: \$ 151,166,598  
 First Payment Due: 12/1/2020  
 First Payment from LOCCS: 1/26/2020  
 Capitalized Debt Service Account: N/A  
 Debt Service Reserve: \$26,460,006  
 # of Months Capitalized Interest: 0  
 # of Months Debt Service Reserve: 6 months of MADS  
 Are there ongoing fees associated with transaction (I): Yes. I) PR-HA has an annual fee of 5bps of the amount outstanding on each August 1. Q) We have assumed a total of \$50,000 in ongoing fees for the Trustee and Rating Agency  
 Closing Date: 10/14/2020  
 D/S Schedule Date: 03/22/20

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Date	Principal	Interest	Total Debt Service Payment	Annual Debt Service Payment Amount (Shown on a 9/30 FYE)	Total Other Ongoing Payment Requirements Associated with Financing	Annual Payment Amount (E+F)	Projected Capital Fund Appropriation	D/S as a % of CF	LOCCS Date	Amount of Debt Service Targeted to be paid from formula funds	FY of Capital Fund Debt Service Payment to be Paid From	Prior Annual Debt Service Payment to be paid from Capital Fund	Savings	Prior Annual D/S as a % of CF
6/1/2019									5/28/2019		2019			
8/1/2019											2019			
12/1/2019											2020			
6/1/2020									5/22/2020		2020			
8/1/2020	29,465,000.00	1,668,123.61	31,133,123.61		51,352.94	51,352.94	149,397,623.90	0.03%	11/26/2020	53,352.94	2020	45,730,672.50	45,679,319.56	30.61%
12/1/2020											2021			
6/1/2021		5,652,125.00	5,652,125.00						5/22/2021	5,652,125.00	2021			
8/1/2021											2021			
12/1/2021	27,660,000.00	5,652,125.00	33,312,125.00	36,785,298.61	162,751.67	36,948,050.28	140,913,725.66	26.22%	11/26/2021	162,751.67	2021	45,706,247.50	8,758,497.22	32.44%
6/1/2022		4,960,625.00	4,960,625.00						5/21/2022	4,960,625.00	2022			
8/1/2022											2022			
12/1/2022	29,080,000.00	4,960,625.00	34,040,625.00	38,272,750.00	149,436.67	38,422,186.67	138,016,418.46	27.84%	11/28/2022	34,040,625.00	2022	45,721,520.63	7,299,323.96	33.18%
6/1/2023		4,233,625.00	4,233,625.00						5/29/2023	4,233,625.00	2023			
8/1/2023											2023			
12/1/2023	30,570,000.00	4,233,625.00	34,803,625.00	36,274,250.00	135,720.83	36,409,970.83	135,733,719.43	28.30%	11/28/2023	135,720.83	2023	45,692,293.13	7,281,322.30	33.68%
6/1/2024		3,469,375.00	3,469,375.00						5/29/2024	3,469,375.00	2024			
8/1/2024											2024			
12/1/2024	32,135,000.00	3,469,375.00	35,604,375.00	38,273,000.00	121,323.33	38,394,323.33	134,262,586.29	28.69%	11/27/2024	35,604,375.00	2024	45,570,285.00	7,275,961.67	34.02%
6/1/2025		2,666,000.00	2,666,000.00						5/28/2025	2,666,000.00	2025			
8/1/2025											2025			
12/1/2025	33,785,000.00	2,666,000.00	36,451,000.00	38,270,375.00	106,186.67	38,376,561.67	132,869,368.34	28.68%	11/26/2025	36,451,000.00	2025	45,631,613.75	7,255,052.08	34.34%
6/1/2026		1,821,375.00	1,821,375.00						5/22/2026	1,821,375.00	2026			
8/1/2026											2026			
12/1/2026	35,515,000.00	1,821,375.00	37,336,375.00	38,272,375.00	90,274.17	38,362,649.17	131,476,022.40	29.18%	11/26/2026	37,336,375.00	2026	45,545,599.38	7,181,910.21	34.64%
6/1/2027		933,500.00	933,500.00						5/22/2027	933,500.00	2027			
8/1/2027											2027			
12/1/2027	37,340,000.00	933,500.00	38,273,500.00	38,269,875.00	73,545.83	38,343,420.83	130,082,748.46	29.48%	11/26/2027	38,273,500.00	2027	45,513,051.26	7,165,610.43	34.99%
6/1/2028											2028			
8/1/2028											2028			
12/1/2028											2028			
Total	\$255,550,000.00	\$49,141,423.61	\$304,691,423.61					23.31%				\$490,692,563.78	\$165,056,608.89	33.75%

**APPENDIX D**

**ACC FINANCING AMENDMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**CAPITAL FUND FINANCING ACC AMENDMENT  
TO CONSOLIDATED ANNUAL CONTRIBUTIONS CONTRACT  
Puerto Rico Public Housing Administration – RQ005**

**Section 1.** This Capital Fund Financing Amendment to Consolidated Annual Contributions Contract (“Financing Amendment”) covers the Capital Fund Financing Program (the “Program”) for the development and modernization of public housing of the Puerto Rico Public Housing Administration, a housing authority which is a public body and body corporate and politic of Commonwealth of Puerto Rico (the “Administration”) to be carried out pursuant to the Capital Fund Program authorized by section 9(d) of the U.S. Housing Act of 1937 (the “Act”) and any applicable successor programs (the “Capital Fund Program”), Replacement Housing Factor (“RHF”) Plan as approved by HUD, Demolition Disposition Transitional Funding (“DDTF”) Plan, together with the proceeds received from a certain tax-exempt bond issue (the “2020 Bonds”) identified below, which are to be issued by the Puerto Rico Housing Finance Administration (the “Issuer”) and loaned to the Administration (the “Loan”) the repayment of which Loan is secured by a pledge of Capital Fund Program moneys (which is further defined to include Capital Fund Program formula funds, RHF funds and DDTF funds under Section 9(d) of the Act for debt service, collectively, the “Capital Fund Allocations”). Capital Fund Allocations, including DDTF and RHF Funds, are subject to the availability of appropriations.

**Section 2.** This Capital Fund Financing ACC Amendment is Amendment Number 6 to the Annual Contributions Contract Form HUD-53012 (04/2018) PR-43 dated March 21, 1996, (together with any amendments thereto, the “ACC”).

**Section 3.** The ACC is amended to evidence the approval by HUD of the 2020 Bonds identified in Section 1, and to permit the first priority pledge and payment of moneys received by the Administration under the Capital Fund Program (or any successor thereto) to such 2020 Bonds. This Financing Amendment is part of the ACC.

**Section 4.** The following provisions are applicable to the 2020 Bonds and the Program, notwithstanding any provision of the ACC to the contrary:

(A) References in the ACC to “notes” and “bonds” shall mean or refer to the 2020 Bonds. Amounts payable to the Administration by HUD pursuant to the Capital Fund Program (and any successor program thereto for funding modernization needs) and pledged by the Administration to the payment of debt service on Loan made from the proceeds of the 2020 Bonds shall be used exclusively for debt service on such Loan (“Loan Debt Service”), in accordance with the Bond Final Debt Service Schedule approved by HUD and described in Section 2 of the HUD approval letter (the “HUD Approval Letter”) delivered by HUD in connection with the issuance of the 2020 Bonds and loan of the proceeds thereof but limited by Section 8 of the HUD Approval Letter, shall not be available for any other purpose, including but not limited to, the repayment of any notes or bonds (other than the 2020 Bonds) as described in the ACC.

(B) The 2020 Bonds do not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States are not pledged to the payment of

the 2020 Bonds, the Loan or Loan Debt Service, and the Loan Debt Service is not guaranteed by HUD or the United States.

(C) Nothing in this Financing Amendment is intended to diminish HUD's authority to administer, monitor, and regulate the public housing program, including HUD's authority to exercise any administrative sanction or remedy provided by law; provided, however, that except as required by law, HUD will not assert any claim or right under the ACC, including the exercise of administrative sanctions and remedies, if and to the extent that the effect of such claim or right would be to reduce the payment of Capital Fund Allocations to the Administration below the level necessary to pay Loan Debt Service or delay the time for payment of such moneys such that required amounts would not be available to pay Loan Debt Service when due. In the event that HUD shall determine to impose administrative sanctions upon the Administration which would have the effect of reducing the payment of Capital Fund Allocations to the Administration in any year by more than 20%, HUD shall have the right (in addition to all other rights and remedies available to HUD under the HUD Requirements as described in the ACC ), while such sanctions remain in effect, to require that unexpended proceeds of the 2020 Bonds already issued (except for amounts already obligated or encumbered for the payment of project costs or required for a debt service reserve or other structural purposes of such issue(s)) be applied, at the earliest permissible date, to redeem outstanding 2020 Bonds.

In the event that the Administration has not obligated at least 90% of the proceeds of the 2020 Bonds twenty three months after the date of the HUD Approval Letter, unless otherwise approved by HUD, unobligated proceeds of the 2020 Bonds shall be applied, to prepay the 2020 Bonds ("Mandatory Obligation Prepayment") such that 90% of the balance of the 2020 Bonds remaining after the Mandatory Obligation Prepayment shall be obligated no later than 24 months after the execution of the Bond Documents ("Obligation End Date").

In the event that the Administration has not expended 100% of the proceeds of the 2020 Bonds forty seven months after the date of the HUD Approval Letter, unless otherwise approved by HUD, unexpended proceeds of the 2020 Bonds shall be applied to prepay the 2020 Bonds ("Mandatory Expenditure Prepayment") such that 100% of the balance of the 2020 Bonds remaining after the Mandatory Expenditure Prepayment will have been expended no later than 48 months after the execution of the Bond Documents ("Expenditure End Date").

Within seven (7) days of the Obligation End Date, and then again within seven days of the Expenditure End Date, the Administration shall submit a Performance and Evaluation report to the appropriate HUD Field Office, documenting the obligation and expenditure of the 2020 Bond proceeds, along with a Certification signed by the Executive Director or Administrator of the Administration, attesting to its accuracy.

(D) Payment of Loan Debt Service is a permissible use of Capital Fund Allocations. Once the 2020 Bonds and Loan have been approved by HUD, no further approval shall be required for payment of Loan Debt Service with Capital Fund Allocations available to the Administration.

(E) The adoption of this Financing Amendment does not supersede or preclude the adoption of annual Capital Fund plans and annual Capital Fund Program Amendments to the ACC (HUD-52840-A )04/2018); provided, however, that if in any fiscal year, (i) the applicable annual Capital Fund plan shall not have been approved by HUD or (ii) the annual Capital Fund Program Amendment to the ACC shall not have been accepted by the Administration, in either case, by the later of (i) October 1 of the first year following the end of the applicable Federal fiscal year with respect to which such funds were appropriated or (ii) 60 days prior to the first scheduled Loan Debt Service payment following such October 1, HUD agrees, subject to the availability of appropriations, to approve immediately upon receipt from the Administration (subject to any legal requirements or constraints applicable at the time), an annual Capital Fund plan and/or an annual Capital Fund Program Amendment to the extent and in an amount sufficient to make the applicable Loan Debt Service payment.

(F) Subject to the availability of appropriations and approval of the annual Capital Fund Plan (or a successor annual plan, if applicable) and Capital Fund Program Amendment to the ACC, and further provided that the Administration submits the Post Approval Documentation described in the HUD Approval Letter, HUD will make Capital Fund Allocations automatically and directly available to the trustee for the 2020 Bonds (the "Trustee") in accordance with the approved debt service schedule, to the extent required for payment of Annual Debt Service. Such direct payment shall be implemented by whatever means are available to HUD at the applicable time, but in any event, the Trustee shall be able to receive, based upon the direction of the Administration pursuant to and as embodied in this Financing Amendment, the necessary amounts without the need for payment to flow through the Administration.

(G) Amounts requisitioned by or payable to the Trustee for Loan Debt Service shall not be paid earlier than three (3) business days prior to the date upon which the Loan Debt Service is due. HUD agrees that, provided that the Administration submits the Post Approval Documentation described in the HUD Approval Letter, upon determining the amount of Capital Fund Allocations available to the Administration in any fiscal year, it will not permit disbursements of such moneys for purposes other than Loan Debt Service to an extent that would reduce the amounts available for such fiscal year below the amounts scheduled for Loan Debt Service in such fiscal year.

(H) The Administration certifies that the number of ACC units anticipated to be eligible for Capital Fund Allocations in each year through the maturity date of the financing will not be less than **46,958** ("Stabilized Base Unit Count") excepting additions and subtractions from the Administration's public housing portfolio prior to reaching the Stabilized Base Unit Count, all in amounts as shown on the attached portfolio schedule. The Administration covenants with HUD not to reduce the number of ACC units by more than 5% (cumulatively) below the Stabilized Base Unit Count (except for changes in the unit count prior to reaching the Stabilized Base Unit Count, but only in amounts as shown on the attached portfolio schedule) without the prior prepayment, redemption, defeasance or refunding of the 2020 Bonds to the extent necessary to maintain the same debt coverage ratio in the Bond year immediately following such reduction in ACC Units (based on the then current year's Capital Fund Program allocation but giving effect to the reduction in ACC Units in a manner acceptable to HUD) as existed prior to the reduction; provided, however, that in no event shall the Administration be required to maintain a debt service coverage ratio in

excess of 3.0, and provided, further that if the reduction in units is required by law or HUD Requirements as described in the ACC, the Administration shall not be required to redeem or defease the 2020 Bonds prior to such reduction, but instead shall do so (to the extent necessary to maintain the same debt service coverage ratio as was in effect immediately preceding such reduction in ACC Units) as soon as possible after becoming aware of the requirement of law or HUD Requirements as described in the ACC but only to the extent that Capital Fund Program funds are not otherwise needed by the Administration to address the health and safety issues or other requirements of law in the Administration's public housing portfolio, all as determined by HUD. The debt service coverage ratio for the 2020 Bonds shall be the ratio by dividing (a) the lower of (i) the amount of Capital Fund Allocations granted to the Administration for the fiscal year preceding the date of such determination, and (ii) the average of such amounts granted for the three most recent fiscal years preceding the date of such determination, by (b) the maximum Bond Debt Service (as defined in the Bond Documents) during any fiscal year.

(l) The proceeds of the 2020 Bonds may be expended only for purposes for which public housing monies may be expended. The Administration shall provide for the application of the proceeds of the 2020 Bonds (in such detail as shall be reasonably required by HUD) in its annual and 5-year Capital Fund Plan.

#### **Section 5.**

(A) By executing this Financing Amendment, the Administration represents, warrants and agrees that it will apply all proceeds of the 2020 Bonds (i) as approved by HUD in connection with HUD's consent to the issuance of the 2020 Bonds, and (ii) to expenditures which are permissible under the laws and regulations governing the Capital Fund Program (or any applicable successor). Additionally, the Administration represents warrants and agrees that it has insurance coverage in conformance with HUD Requirements as described in the ACC.

(B) Any financing documents entered into by the Administration shall contain language requiring any creditor of the Administration receiving payments from Capital Fund Program funds to return any overpayment to HUD within three business days after application of that payment to any outstanding debt, in the event that HUD incorrectly pays all or any Capital Fund Program funds in excess of what is due and owing to a creditor under any financing documents.

(C) By executing this Financing Amendment, the Administration certifies to HUD and, as applicable, agrees that:

(1) it will immediately notify HUD of (a) any material change in any representations, statements, certifications or other matters contained in the Administration's Submission as defined in and approved in accordance with the HUD Approval Letter, this Financing Amendment and any Riders thereto, (b) any default of which it has notice under any agreement submitted to HUD as part of the Submission, and (c) any changes to Loan Debt Service.



(2) it will ensure that the CFFP transaction, including but not limited to any financing documents entered into by or on behalf of the Administration (the "Administration Documents"), including HUD Requirements for admission to, continued occupancy of, management, and modernization or development of public housing using funds from this transaction is in accordance with all HUD Requirements, including any HUD-approved waivers of regulatory requirements), this Financing Amendment, the HUD-approved CFFP Submission, the Administration's standard public housing admissions and occupancy policies adopted in accordance with Federal law and described in the Administration's approved Public Housing Agency Annual Plan if required, or any approved amendment to the Plan (the "Plan"), as those requirements may be amended from time to time.

(D) Excepting any of the Administration's assets arising under any program not administered by HUD under the Act, or as otherwise specifically approved in writing by HUD and described in Section 5(D)(1) below, all legal documents that are part of this transaction shall not and do not contain any guarantees, indemnifications, rights of set-off, or other pledges involving the assets of any public housing Project (as the term "Project" is defined in the ACC) or any Housing Choice Voucher (HCV) related assets of the Administration.

(1) The Trustee or any third party may have recourse to the following without further HUD approval: All Capital Fund Allocations (including RHF funds and DDTF funds) of the Administration.

(2) Other than as listed in Section 5 (D)(1) above, the Administration acknowledges that it will not and has not provided any party with a legal right of recourse against:

- a) any of its public housing Projects;
- b) any Operating Receipts (as the term "Operating Receipts" is defined in the ACC);
- c) any of its HCV receipts; or
- e) any of its public housing Operating Reserve Account as defined in the ACC and reflected in the Administration's annual operating budget.

(3) Should any assets of the Administration be identified at later date as meeting the criteria as set forth in this subsection (D), any guarantees, indemnifications, rights of set off, or other pledges involving those assets will be deemed null, void and unenforceable.

(4) The ACC applies, and should any financing proceeds be used for non-public housing purposes, repayment of the financing proceeds used for non-public housing purposes is required to be made with eligible non-public housing funds. The failure of the Administration to comply with the

ACC and this Financing Amendment may constitute a default as described in the ACC and HUD reserves the right to enforce all remedies available to it under the ACC and any amendments thereto.

(5) Any financing documents entered into by the Administration, as debtor, must contain language specifically allowing for defeasance without penalty at the discretion of the Administration, without the need for any further approval from any creditor, and regardless of any other language to the contrary in the financing documents, and shall provide for the termination of the financing agreement, reimbursement agreement, security agreement, note or similar agreement and the release of any collateral and removal of any covenants required for this transaction without penalty to the Administration once such defeasance is completed. Penalties do not include premiums a creditor may charge for the carrying costs associated with allowing a defeasance.

(E) The Administration warrants that it will include, or cause to be included:

(1) In all its agreements or contracts with the participating parties to the transaction, and in all contracts with any party involving the use of Capital Fund Allocations, a provision that nothing contained in the ACC or this Financing Amendment and any Riders thereto, nor in any agreement or contract between the parties, nor any act of HUD, the Administration, or any of the parties, will be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD, and that the obligations created pursuant to this transaction do not constitute a debt or liability of HUD or the United States, the full faith and credit of the United States is not pledged to the payment of the obligations, payment of the obligations is not guaranteed by HUD or the United States, and no action taken by these parties or in these documents shall result in any liability to the federal government.

(2) In all legal documents that are part of this transaction, there shall be no cross-default provisions between this financing transaction and any other financing transaction to which the Administration is a party, except for debt of the Administration to the Trustee.

## **Section 6.**

(A) Counsel must opine to the following for each requirement listed in this Section:

(1) An examination of the authority of the Administration to enter into the documents and all persons executing the documents on behalf of the parties has been made and that the parties and said persons were authorized to enter into and execute the documents; and

(2) Each document constitutes a valid and legally enforceable agreement or contract under the laws of the Commonwealth of Puerto Rico (the "Commonwealth") and the commitments and/or agreements evidenced thereby can be carried out in accordance with their terms under the law of the Commonwealth, and conform to the provisions of the Submission approved by HUD and the requirements of this Financing Amendment, and that there is nothing in the Administration Documents that conflicts with, or is inconsistent with, the HUD Approval Letter and this Financing Amendment.

(B) Counsel may rely upon the certification of other persons, or the written statements or opinions of other counsel, provided that a copy of each such certification, statement, or opinion must be attached to the opinion of that counsel.

(C) If Counsel predicates an opinion upon "information and belief," then in all such cases the Counsel's Opinion must contain, or have attached thereto, a statement or description of all of the information upon which the belief of Counsel is predicated.

In consideration of the foregoing covenants, the parties do hereby set forth their seals:

PUERTO RICO PUBLIC HOUSING ADMINISTRATION

By \_\_\_\_\_  
William Rodriguez  
Administrator

UNITED STATES OF AMERICA  
Secretary of Housing and Urban Development

By \_\_\_\_\_

Antonio Cordova  
Public Housing Director

Date: \_\_\_\_\_

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX E**

**FORM OF BOND COUNSEL OPINION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

October 13, 2020

Puerto Rico Housing Finance Authority  
San Juan, Puerto Rico

\$249,155,000 Puerto Rico Housing Finance Authority Capital Fund Modernization  
Program Refunding Bonds (Puerto Rico Public Housing Projects), Series 2020

We have acted as Bond Counsel in connection with the authorization, issuance and sale by the Puerto Rico Housing Finance Authority (the “**Authority**”), a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the “**Commonwealth**”), created as a subsidiary of the Government Development Bank for Puerto Rico (“**GDB**”) in accordance with Act No. 17 of September 23, 1948, as affected by Act No. 103 of the Legislature of Puerto Rico, approved August 11, 2001, and Act No. 107 of the Legislature of Puerto Rico, approved July 31, 2002, as amended (the “**Act**”), of its Capital Fund Modernization Program Refunding Bonds (Puerto Rico Public Housing Projects), Series 2020 in the original aggregate principal amount of \$249,155,000 (the “**Bonds**”).

The Bonds are issued under and pursuant to the Constitution and statutes of the Commonwealth, including the GDB Enabling Act, and under and pursuant to proceedings of the Authority duly taken, including Resolution 2019-03 of the Authority adopted on January 31, 2019, entitled “RESOLUTION AUTHORIZING THE ISSUANCE OF CAPITAL FUND MODERNIZATION REFUNDING BONDS (PUERTO RICO PUBLIC HOUSING PROJECTS), SERIES 2019, BY THE PUERTO RICO HOUSING FINANCE AUTHORITY, NOT TO EXCEED \$335,000,000, AND THE EXECUTION AND DELIVERY OF THE TRUST INDENTURE AND OTHER DOCUMENTS SECURING OR RELATING TO THE BONDS; SPECIFYING THE INTEREST RATE FOR THE BONDS; DIRECTING THE AUTHENTICATION AND DELIVERY OF THE BONDS; AUTHORIZING THE PREPARATION AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT RELATING TO THE BONDS AND THE PREPARATION, EXECUTION AND DISTRIBUTION OF AN OFFICIAL STATEMENT RELATING TO THE BONDS,” as ratified by Resolution No. 2020-10 of the Authority adopted on June 15, 2020 (together, the “**Resolution**”). The Bonds are issued under and pursuant to, and are secured by, a Trust Indenture dated as of October 1, 2020 (the “**Indenture**”) between the Authority and The Bank of New York Mellon, as trustee (the “**Trustee**”). Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds are being issued to provide financial assistance to the Puerto Rico Public Housing Administration, a governmental instrumentality of the Commonwealth attached to the Department of Housing of the Commonwealth, constituting a “public housing agency” within the meaning of Section 3(b)(6) of the 1937 Housing Act (the “**PHA**”) for the purpose of (A) refunding, on a current basis, all of the outstanding (i) Puerto Rico Housing Finance Authority Capital Fund Program Bonds (Puerto Rico Public Housing Administration Projects), Series 2003 (the “**2003 Bonds**”), and (ii) Puerto Rico Housing Finance Authority Capital Fund Modernization Program Subordinate Bonds (Puerto Rico Public Housing Projects), Series 2008 (the “**2008 Bonds**” and together with the 2003 Bonds, the “**Prior Bonds**”), which financed the modernization of certain

“public housing” projects of the PHA, and (B) paying certain costs of issuance of the Bonds (the “**Project**”).

The Authority and the PHA have entered into a Loan Agreement dated as of October 1, 2020 (the “**Loan Agreement**”), whereby the Authority has loaned the proceeds of the Bonds to the PHA to be applied to pay the costs of the Project, and the PHA has agreed to make loan payments in amounts and at all times sufficient to pay the Bonds.

The Bonds are special limited obligations of the Authority, secured to the extent provided in the Indenture, by the assignment, pursuant to the Indenture, of all the right, title and interest of the Authority in and to the Loan Agreement (except the Reserved Rights) and the Revenues, including moneys and securities held by the Trustee in the funds and accounts created under the Indenture (except the Rebate Fund and the Costs of Issuance Fund).

The Bonds will be dated, mature, be payable and bear interest at the rate or rates, all as provided in the Indenture.

The Issuer, the Department of Housing of the Commonwealth of Puerto Rico (the “**DOH**”) and Vivienda Modernization 1, LLC, the owner of the public housing projects financed with the proceeds of the Series 2008 Bonds (the “**Series 2008 Project Owner**”), have entered into a Deed of Declaration of Restrictive Covenants for Low Income Housing Tax Credits and Tax-Exempt Bond Requirements, dated August 7, 2002, as amended by a First Amendment to Deed of Declaration of Restrictive Covenants for Low Income Housing Tax Credits and Tax-Exempt Bond Requirements dated October \_\_, 2020 (together, the “**Restrictive Covenants**”), with respect to the use and occupancy of the public housing projects financed with the proceeds of the Series 2008 Bonds. The Series 2008 Project Owner has covenanted, subject to certain limitations, to comply with the requirements of Section 142(d) of the Internal Revenue Code of 1986, as amended (the “**Code**”). Those requirements must be continuously met subsequent to the date of issue of the Bonds in order that interest on the Bonds, commencing from the dated date of the Bonds, be and remain excluded from gross income for purposes of federal income taxation. The Restrictive Covenants obligate the Series 2008 Project Owner and its successors to operate the public housing projects financed with the proceeds of the Series 2008 Bonds as qualified residential rental projects, as defined in Sections 142(d) of the Code and the Regulations promulgated thereunder by the United States Department of the Treasury, pursuant to which, among other requirements, at least forty percent (40%) of the residential units in such projects must be occupied by individuals or families whose income is sixty percent (60%) or less of area median gross income as defined in Section 142(d)(2)(B) for the qualified project period, as defined in Section 142(d)(2)(A).

Under the Indenture, the Loan Agreement and the Tax and No-Arbitrage Certificate dated the date hereof, by the Authority and the PHA (the “**Tax Certificate**”), the Authority and the PHA have covenanted that they will comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”) applicable to the Bonds and they not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code, and will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or the PHA, or take or omit to take any action, that would cause the Bonds to be arbitrage bonds within the meaning of Section 148(a) of the Code. The Authority and the PHA have further



covenanted that they will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds, including the requirements of Section 148(f) of the Code, which provides for the rebate of certain arbitrage profits to the United States. An officer of the Authority responsible for issuing the Bonds and an authorized representative of the PHA have executed the Tax Certificate stating the reasonable expectations of the Authority and the PHA on the date of issue as to future events that are material for purposes of Section 148 of the Code pertaining to arbitrage. Also, the Authority has caused or will cause to be filed with the Internal Revenue Service a report of the issuance of the Bonds as required by Section 149(e) of the Code as a condition of the exclusion from gross income of the interest on the Bonds.

In our capacity as Bond Counsel, we have examined such documents, records of the Authority and other instruments as we deem necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Loan Agreement, the Tax Certificate, the Restrictive Covenants, the other documents listed in the closing index, and an executed Bond, as authenticated by the Trustee.

Based on the foregoing, it is our opinion that:

1. The Authority is a public corporation and a governmental instrumentality of the Commonwealth, with full power and authority under the Act to undertake the Project, to execute, deliver and perform its obligations under the Indenture, the Loan Agreement and the Tax Certificate and to issue and sell the Bonds.
2. The resolution has been duly adopted by, and is legal, valid and binding upon, the Authority.
3. The Indenture, the Loan Agreement and the Tax Certificate have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid, and binding obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights.
4. The Bonds have been duly authorized by the Authority and constitute legal, valid and binding limited obligations of the Authority, payable solely from, and secured by, a valid and binding pledge of the Trust Estate, subject only to the provisions of the Indenture permitting use of the Trust Estate and its application for the purposes and on the terms and conditions provided in the Indenture, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights.
5. Assuming the accuracy of the certifications of the Authority and the PHA and continued compliance with the covenants contained in the Indenture, the Loan Agreement, the Restrictive Covenants and the Tax Certificate, under existing law as enacted and construed on the date hereof, interest on the Bonds is excludable from gross income of the owners of the Bonds for federal income tax purposes;

provided that such exclusion does not apply with respect any Bond during any period which such Bond is held by a person who, within the meaning of Section 147(a) of the Code and the regulations thereunder is a “substantial user” of the projects financed with the proceeds of the Prior Bonds or a “related person.” Interest on the Bonds is not an item of tax preference under the Code for purposes of determining the alternative minimum tax imposed on individuals.

6. Under the laws of the United States and of the Commonwealth, as enacted and construed on the date hereof, the Bonds are exempt from taxation by the Government of Puerto Rico or of any political or municipal subdivision thereof, or by any state, territory, or possession, or by any county, municipality, or other municipal subdivision of any state, territory, or possession of the United States, or by the District of Columbia.

Except as expressly stated in paragraphs 5 and 6 of this opinion, we express no opinion as to any federal or state tax consequences of the ownership of, receipt of interest on, or disposition of, the Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law. In rendering the opinions in this paragraph 5, we have relied upon certain representations and certifications of fact, which have not been independently verified, and statements of reasonable expectations made by the Authority and the PHA in connection with the Bonds, and we have assumed compliance by the parties with certain ongoing covenants in the Indenture, the Loan Agreement, the Restrictive Covenants and the Tax Certificate, to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We call your attention to the fact that interest on the Bonds may become includible in gross income for purposes of federal income taxation retroactively to the date hereof if such representations or assumptions are determined to have been inaccurate or if any of the parties fail to comply with such covenants. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in law or events that may take place after the date hereof that may affect the tax status of interest on the Bonds.

We do not express any opinion herein with respect to title to any property, the perfection or priority of any lien or security interest, the adequacy of the security for the Bonds or the sources of payment for the Bonds or the adequacy or accuracy of any official statement, placement memorandum, or other information pertaining to the offering for sale of the Bonds.

We call your attention to the fact that the Bonds and the interest thereon do not constitute a debt, liability, obligation or pledge of the credit of the Commonwealth, the GDB, the Authority, the PHA or any municipality or political subdivision thereof, but are limited obligations of the Authority payable solely from the security and other funds pledged therefor and are not payable from any other assets or funds of the Authority or the PHA, and neither the faith and credit nor the taxing power of the Authority, the Commonwealth, or any political subdivision is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power.

We render this opinion under existing statutes and court decisions as of the date hereof and we assume no obligation to update, revise or supplement this opinion after the issue date as to reflect any future action, facts or circumstances, or change in law, interpretation or otherwise that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

Greenberg Traurig, LLP

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX F

### **DTC AND BOOK-ENTRY SYSTEM**

DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2020 Bond certificate will be issued for each stated maturity of the Series 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, 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](http://www.dtcc.com).

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 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 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, the Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Resolution and the Series 2020 Bonds. For example, Beneficial Owners of Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of any series of the Series 2020 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020 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 Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on a 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 such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2020 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2020 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Series 2020 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2020 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2020 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2020 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2020 Bonds. In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

Each person for whom a Participant acquires an interest in the Series 2020 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020 BONDS.

So long as Cede & Co. is the registered owner of the Series 2020 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2020 Bonds (other than under the caption "TAX MATTERS" and "CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2020 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2020 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.

Unless otherwise noted, the information contained in the preceding paragraphs under this caption DTC AND BOOK-ENTRY SYSTEM has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2020 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2020 BONDHOLDERS UNDER THE INDENTURE; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2020 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2020 BONDS; OR (6) ANY OTHER MATTER.



## APPENDIX G

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement, dated as of October 13, 2020 (the “Agreement”), is executed and delivered by the Puerto Rico Public Housing Administration, a governmental instrumentality of the Commonwealth of Puerto Rico (“PRPHA”), in connection with the issuance by the Puerto Rico Housing Finance Authority, a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the “Authority”), of its Capital Fund Modernization Program Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture dated as of October 1, 2020 (the “Indenture”), by and between the Authority and The Bank of New York Mellon (the “Trustee”). The proceeds of the Bonds are being loaned by the Authority to PRPHA pursuant to a Loan Agreement, dated as of October 1, 2020 (the “Loan Agreement”), by and between the Authority, the Trustee and PRPHA. The Bonds are limited obligations of the Authority payable solely from certain capital funds paid by the United States Department of Housing to PRPHA. Therefore, the Authority and PRPHA have determined that PRPHA will be solely responsible for providing continuing disclosure pursuant to this Agreement, and PRPHA covenants and agrees as follows:

**Section 1. Purpose of the Agreement.** This Agreement is being executed and delivered by PRPHA for the benefit of the Holders of the Bonds, and in order to assist the Participating Underwriters in complying with the Rule (defined below). PRPHA acknowledges that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

**Section 2. Definitions.** In addition to the definitions set forth in the Indenture, which definitions apply to any capitalized term used in this Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” means the Annual Report provided by PRPHA pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Disclosure Representative” means any officer of PRPHA or each other person designated to act on behalf of PRPHA by written certificate furnished to the Dissemination Agent from time to time containing the specimen signatures of such person and signed on behalf of PRPHA by an authorized officer thereof.

“Dissemination Agent” means the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by PRPHA and which has filed with the Trustee a written acceptance of such designation, or PRPHA if no other entity is acting as Dissemination Agent.

“Holder” means any registered owner of the Bonds and any beneficial owner of the Bonds within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

“Listed Events” means any of the events listed in Section 5(a) of this Agreement (other than the failure to comply with Section 3 hereof).

“MSRB” means the Municipal Securities Rulemaking Board, established pursuant to Section 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Agreement shall use the MSRB’s Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

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

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3. Provision of Annual Reports.** (a) PRPHA shall, or shall cause the Dissemination Agent to, not later than 305 days after the end of each Federal fiscal year (such 305<sup>th</sup> day being referred to as the “latest filing date”), beginning with the Federal fiscal year on which the Bonds are issued, provide to the MSRB, in electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report (the “Annual Report”) which is consistent with the requirements of Section 4 of this Agreement. Not later than fifteen (15) days prior to the latest filing date, PRPHA shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Agreement.

(b) If the Dissemination Agent has not received a copy of the Annual Report by the fifteenth (15<sup>th</sup>) day prior to the latest filing date, the Dissemination Agent shall contact PRPHA to determine if PRPHA is in compliance with subsection (a) of this Section 3.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the latest filing date, the Dissemination Agent shall promptly thereafter send a notice to the MSRB in substantially the form attached as Exhibit A of this Agreement.

(d) The Dissemination Agent will provide notice to PRPHA certifying that the Annual Report has been provided pursuant to this Agreement, stating the date on which it was provided.

**Section 4. Content of Annual Report.** Each Annual Report shall contain or incorporate by reference the following (terms defined in the Official Statement relating to the Bonds are used as so defined): (i) the level of capital funds allocated to PRPHA by the U.S. Department of Housing and Urban Development (the “Capital Fund Allocations”); (ii) the amount of unobligated Capital Fund Allocations for the three most recent Federal fiscal years; (iii) the amount of unexpended Capital Fund Allocations for the five most recent Federal fiscal years; (iv) changes in the capital fund program materially affecting the level of funding to PRPHA; (v) statutory or regulatory changes in the Capital Fund Allocations formula materially affecting the level of funding to

PRPHA; (vi) any material change in direct payment of debt service funds for payment of the Bonds to the Trustee of which PRPHA is aware; and (vii) an update of the information and operating data contained in the Official Statement relating to the Bonds under the headings “Puerto Rico Public Housing Administration” and “Capital Fund Program”.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents relating to debt issues with respect to which PRPHA is an “obligated person” (as defined by the Rule), which have been filed with the MSRB. PRPHA shall clearly identify each such document so incorporated by reference in any Annual Report.

**Section 5. Reporting of Listed Events.** (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events (each, a “Listed Event”):

- (1) principal and interest payment delinquencies;
- (2) non-payment 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 IRS of proposed or final determinations of taxability, notices of proposed issue or other material notices or determinations with respect to the tax status of the Series 2020 Bonds, or other material events affecting the tax status of the Series 2020 Bonds;
- (7) modifications to rights of the owners of the Series 2020 Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of PRPHA;
- (13) the consummation of a merger, consolidation, or acquisition involving PRPHA or the sale of all or substantially all of the assets of PRPHA, 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 PRPHA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Bondholders, 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 PRPHA, any of which reflect financial difficulties.

With respect to events (15) and (16), “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 an obligation or instrument described in either clause (i) or (ii). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any potential Listed Event, pursuant to subsection (c) of this Section 5 or otherwise, provide the Disclosure Representative with notice (by facsimile transmission confirmed by telephone or by email). If the Dissemination Agent is also the Trustee, the Dissemination Agent shall be deemed to have actual knowledge of those items listed in clauses (1), (3) (solely with respect to funds held by the Trustee), (4), (5), (7), (8), (9), (10) and (14) above without the Dissemination Agent having received notice of such event. While the Dissemination Agent is not also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of any items listed in clauses (1) through (16) above without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Disclosure Representative, the Dissemination Agent shall assume that the unscheduled draws described in clauses (3) and (4) reflect financial difficulty.

(c) Whenever PRPHA obtains knowledge of the occurrence of a potential Listed Event, PRPHA shall, within five (5) Business Days of obtaining such knowledge and in any event no more than eight (8) Business Days after the occurrence of such event, determine if such event is in fact a Listed Event that is required by the Rule to be disclosed and provide the Dissemination Agent with notice and instructions pursuant to subsections (d) below.

(d) If PRPHA has determined that a Listed Event is required to be disclosed then PRPHA shall prepare a written notice describing the Listed Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (e) below.

(e) If the Dissemination Agent has been provided with a written notice describing a Listed Event pursuant to subsection (c) of this Section 5 or otherwise, and is instructed by PRPHA

to report the occurrence of such Listed Event, the Dissemination Agent shall, within a reasonable time of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Listed Event, file the notice with the MSRB and send a copy to PRPHA.

**Section 6. Termination of Reporting Obligation.** The obligations of PRPHA under this Agreement shall terminate upon the defeasance or provision for payment, prior redemption or payment in full of all of the Bonds.

**Section 7. Dissemination Agent.** PRPHA may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, PRPHA shall be the Dissemination Agent.

**Section 8. Amendment; Impossibility of Performance.** Notwithstanding any other provision of this Agreement, PRPHA may amend the covenants set forth in Section 3 and 5 of this Agreement only if each of the following conditions has been met:

(a) 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 PRPHA; the covenants, as amended, would have complied with the requirements of the Rule at the time of award of the Bonds, after taking into account any amendments or change in circumstances as evidenced by the receipt of an opinion of counsel experienced in federal securities laws acceptable to the Trustee and PRPHA; and the amendment does not materially impair the interests of Holders, as determined by the Trustee or by counsel experienced in federal securities laws acceptable to the Trustee and PRPHA; or

(b) all or any part of the Rule, as interpreted by the staff of the Securities and Exchange Commission at the date of the adoption of such Rule, ceases to be in effect for any reason, and PRPHA elects that the covenants shall be deemed amended accordingly.

PRPHA further agrees that the first Annual Report after any amendment to this Agreement will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of information being provided.

**Section 9. Additional Information.** Nothing in this Agreement shall be deemed to prevent PRPHA from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If PRPHA chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, PRPHA shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Defaults.** In the event of a failure of PRPHA to comply with any provision of this Agreement, the Trustee may (and, at the request of any Participating Underwriter or the

beneficial owners of at least 25% in aggregate principal amount of outstanding Bonds, shall), or (if such beneficial owner stipulates that no challenge is made to the adequacy of any information provided) any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause PRPHA to comply with its obligations under this Agreement; provided that any such action may be instituted only in a federal or Commonwealth court located in the Municipality of San Juan. In addition, Holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be permitted by the remedial and enforcement provisions of the Indenture to challenge the adequacy of any information provided pursuant to this Agreement, or to enforce any other obligation of PRPHA hereunder. A default under this Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement or any other related instrument, and the sole remedy under this Agreement in the event of any failure by PRPHA to comply with this Agreement shall be an action to compel performance. Nothing in this Section shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.**

Article 11 of the Indenture is hereby made applicable to this Agreement as if said article were (solely for this purpose) contained in this Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Agreement, and PRPHA agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of PRPHA under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall not have any responsibility, nor shall it render any services directed to the substance and content of the Annual Report or other reports or disclosures pursuant to this Agreement. The Dissemination Agent may include such disclaimers as it may deem reasonable in the Annual Report and in the other reports or disclosures filed by the Dissemination Agent pursuant to this Agreement. In all respects, PRPHA shall retain full and complete responsibility for the content, accuracy and completeness of all disclosures, irrespective of the Dissemination Agent's (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) contribution to the physical or electronic preparation or filing of materials required for the efficient distribution of the disclosures.

**Section 12. Beneficiaries.** This Agreement shall inure solely to the benefit of the Authority, PRPHA, the Trustee, the Dissemination Agent, the Participating Underwriters and the beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity. The Authority is expressly made a third-party beneficiary of this Agreement. For the avoidance of doubt, the Trustee shall have all of the benefits, but none of the responsibilities or liabilities under this Agreement.

**Section 13. Parties in Interest.** This Agreement is executed and delivered by PRPHA solely for the benefit of the Holders and the Trustee on behalf of such Holders under the Indenture. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

**Section 14. Record Keeping.** PRPHA shall maintain records of all Annual Reports and reports pursuant to Section 5 hereof including the content thereof, the names of the entities with whom the same was filed and the date of filing thereof.

**Section 15. Out-of-Pocket Expenses.** PRPHA agrees to pay the Dissemination Agent's reasonable out-of-pocket expenses incurred in connection with the performance of its obligations hereunder, including legal fees and expenses, as incurred.

**Section 16. Termination of Dissemination Agent's Obligations.** This Disclosure Agreement shall terminate as provided in Section 6 hereof. The Dissemination Agent may also resign from its duties and obligations hereunder upon not less than 60 days' prior written notice to PRPHA. All reasonable fees and expenses incurred and invoiced by the Dissemination Agent shall be paid by PRPHA prior to the termination of the Dissemination Agent's obligations hereunder. If the Trustee resigns or is removed from the office of trustee under the Indenture, its duties and obligations hereunder shall terminate effective upon the acceptance of appointment as trustee by a successor trustee in accordance with the provisions of the Indenture and such successor shall assume the obligations of the Trustee hereunder without the need to execute any instrument or take any further action.

**Section 17. Miscellaneous.** The Dissemination Agent may act directly, or through agents, in the delivery of its services to PRPHA, but its obligations hereunder shall not be limited or released as a result of any such delegation to agents.

**Section 18. Governing Law.** This Agreement shall be governed by the laws of the Commonwealth of Puerto Rico determined without regard to principles of conflicts of law.

**Section 19. Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or in rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date set forth above:

**PUERTO RICO PUBLIC HOUSING  
ADMINISTRATION**

---

By: William O. Rodríguez-Rodríguez  
Title: Administrator

**NOTICE OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer: Puerto Rico Housing Finance Authority

Name of Bond Issue: Capital Fund Modernization Program Refunding Bonds (Puerto Rico Public Housing Projects), Series 2020 (the “Series 2020 Bonds”)

Name of Borrower: Puerto Rico Public Housing Administration

CUSIP: 74526LEX7, 74526LEY5, 74526LEZ2, 74526LFA6, 74526LFB4,  
74526LFC2, 74526LFD0 & 74526LFE8

Date of Issuance: October 13, 2020

NOTICE IS HEREBY GIVEN that the Puerto Rico Public Housing Administration (“PRPHA”) has not provided an Annual Report with respect to the Series 2020 Bonds as required by the Continuing Disclosure Agreement dated as of October 13, 2020. PRPHA anticipates that the Annual Report will be filed by \_\_\_\_\_.

This notice is being provided for the Series 2020 Bonds in connection with our undertaking entered into in accordance with Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission. The information provided in this notice speaks only as of its date and is subject to change without notice. The delivery of this notice may not, under any circumstances, create an implication that there has been no other change to the information provided in the final official statement or in any previously filed annual report. We have not agreed to notify the secondary market of subsequent changes to the information in this notice.





