



## EXHIBIT 1 DEFINITION OF RESIDUAL RECEIPTS

Payments from Residual Receipts, if any, shall be made on an annual basis beginning the year first following the date the Project is placed in service and each year thereafter through the term of the loan. Payments shall be applied to accrued interest, and thereafter to principal. The Borrower shall annually provide the Commission a Computation of Residual Receipts Report which provides the basis for the Borrower's calculation of the payment or nonpayment of Residual Receipts to the Commission. The form of the Computation of Residual Receipts is attached.

"Residual Receipts" are defined as Annual Project Revenue less: (1) Annual Operating Expenses as approved by the Commission in the Annual Budget; (2) obligated debt service payments on loans related to the Project as approved by the Commission at the closing of the loan, or as amended with approval from the Commission and any other parties, as appropriate; (3) payment obligations (e.g. partnership management fees, deferred developer fees, repayment on loans to partners), as approved by the Commission at the closing of the loan, or as amended with approval by the Commission and any other parties, as appropriate; and (4) scheduled deposits to reserves, as approved by the Commission at the closing of the loan, or as amended with approval by the Commission and any other parties, as appropriate.

"Annual Project Revenue" is defined as annual revenue generated by the Project, including rent payments, Section 8 housing assistance payments, if any, laundry income, and all other revenue related to the operation of the Project, with the exception of interest income on security deposits and reserves required by the Commission and any other parties with approval rights over the establishment and/or maintenance of reserves.

"Annual Operating Expenses" are defined as annual expenses incurred in relation to the operations of the Project and as approved annually by the Commission in the Annual Budget. Annual Operating Expenses include property management expenses and payroll, administrative expenses incurred by the Project, utilities, operating and maintenance expenses, property taxes, and insurance.

Expenses not related to the Project's Operations, such as depreciation, amortization, and accrued principal and interest expenses of deferred payment debt, should not be included as Annual Operating Expenses. In addition, capital improvement expenditures should not be included as Annual Operating Expenses.