**Section 365.702 Equity and Distributions**

a) Right to Distributions. An Owner may have the right, commencing as provided in subsection (b) below, to make annual Distributions following the completion of a Development's fiscal year in an amount not to exceed a sum equal to the product of the Equity in the Development multiplied by a factor equal to two hundred percent (200%) of the yield paid on 30-year GNMA mortgage certificates, or such lesser sum as the Authority may determine, set and fixed as of the date of the conditional commitment letter to the Development. The Chief Financial Officer of the Authority shall certify to the GNMA rate as of such date. If a Distribution cannot be made as provided in subsections (c) and (d) below, an Owner may cumulate the right to make a Distribution. In any partial fiscal year following the Cumulation Date, the amount of a Distribution shall be cumulated pro rata. If GNMA mortgage certificates cease to be issued for 30-year terms, the annual Distributions shall be calculated based on the yield paid on the instrument most nearly comparable in character and credit to such GNMA mortgage certificate, as determined by the Authority.

b) Cumulation Date. An Owner's right to a Distribution shall begin to cumulate on the Initial Closing Date.

c) Source of Distributions. An Owner may make Current and Cumulative Distributions only out of Surplus Cash and/or Residual Receipts. If Surplus Cash or Residual Receipts are unavailable in a given fiscal year, an Owner shall make no Current Distribution, but the right to make such Distribution shall cumulate. If Surplus Cash and/or Residual Receipts are insufficient in a given fiscal year to make the approved Distribution for the Development, an Owner may distribute all available Surplus Cash and/or Residual Receipts and cumulate the right to make the remainder of the Distribution in future years when and if Surplus Cash and/or Residual Receipts are available.

d) Timing of Distributions. No Distribution shall be made until after the Final Closing Date. Even if Surplus Cash and/or Residual Receipts are available, the initial and all subsequent Distributions, including Cumulative Distributions, may be made only after: the Authority has approved the Development's annual financial report (pursuant to Section 365.505 of this Part); the Development has an approved Development budget for the next fiscal year; the Owner has complied with all outstanding notices of requirements for proper maintenance and operation of the Development; the Owner has cured any defaults or breaches of applicable Authority Rules, contracts and agreements; and the Authority has issued its written authorization of such Distribution.

e) Amount of Equity. As required by the Act, the Authority shall establish Equity in a Development at the time of making the final Loan advance. In no event shall the amount of such Equity be calculated to include any grants or other funds not originating with the Owner. Any Equity in a Development arising out of the sale or purchase of Low-Income Housing tax credits (including bona fide notes which are not in default executed by tax credit purchasers in favor of an Owner) shall be deemed to constitute funds originating with the Owner. Once established by the Authority, the amount of an Owner's Equity shall remain constant so long as the Mortgage Note and Mortgage are outstanding on the Development; provided however, the Authority shall reduce the Equity amount by any amount which is not timely invested in the Development.