

NEW ISSUE—Book Entry Only

*In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2003 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2003 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, under existing statutes, interest on the 2003 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.*

**\$10,140,000**  
**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**Residential Revenue Bonds (The Animal Medical Center),**  
**2003 Series A**

**Dated: Date of Delivery**

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

Interest is payable semiannually on each June 1 and December 1, commencing December 1, 2003. The 2003 Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof and will be issued in book-entry form only, in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on and principal of the 2003 Bonds will be payable by the Trustee to Cede & Co., as nominee of DTC. Purchasers of the 2003 Bonds will not receive physical delivery of bond certificates. Principal and premium, if any, and interest on the 2003 Bonds will be payable through Wachovia Bank, National Association, New York, New York, as Trustee.

**The 2003 Bonds are subject to optional and mandatory redemption at the times and in the events set forth in the Resolution and described herein.**

The 2003 Bonds are being issued to finance a mortgage loan to The Animal Medical Center, a New York not-for-profit corporation, for the purposes of paying a portion of the cost of acquiring a multi-family rental housing facility located at 320 East 53rd Street in the Borough of Manhattan, New York, and certain other costs related thereto.

The 2003 Bonds are special revenue obligations of the Corporation payable from various sources as provided in the Resolution. The principal of and interest on the 2003 Bonds are payable from the funds drawn under an irrevocable direct pay letter of credit issued in favor of the Trustee by

**ALLIED IRISH BANKS, p.l.c.**

acting through its New York Branch, until its stated expiration date of September 25, 2008 unless terminated earlier or extended in accordance therewith as described herein.

---

**MATURITY SCHEDULE — See Inside Cover**

---

**The 2003 Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2003 Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2003 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

*The 2003 Bonds are offered when, as and if issued and received by the Underwriter and subject to the unqualified approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its Deputy General Counsel. Certain legal matters will be passed upon for Allied Irish Banks, p.l.c., by its Counsel, Windels Marx Lane & Mittendorf, LLP, New York, New York and its Irish Legal Counsel. Certain legal matters will be passed upon for the Mortgagor by its Special Counsels, Taylor, Colicchio & Silverman, LLP, New York, New York and Levy & Pellegrino, LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Harris Beach LLP, New York, New York. It is expected that the 2003 Bonds will be available for delivery in New York, New York on or about September 25, 2003.*

# **Roosevelt & Cross, Incorporated**

Dated: September 18, 2003

**\$10,140,000**  
**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**Residential Revenue Bonds (The Animal Medical Center),**  
**2003 Series A**

**MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS OR PRICES**

<u>Maturity</u> <u>December 1,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>
2014	\$310,000	4¼%	4.40%
2015	325,000	4½	100
2016	335,000	4½	4.60
\$ 720,000	4¾% 2003 Series A Term Bond Due December 1, 2018, Price: 100%		
\$2,625,000	5 % 2003 Series A Term Bond Due December 1, 2024, to yield 5.25%		
\$5,825,000	5½% 2003 Series A Term Bond Due December 1, 2033, to yield 5.05%		

The 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 2003 Bonds to any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the New York City Housing Development Corporation or the Underwriter to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the New York City Housing Development Corporation, Allied Irish Banks, p.l.c., The Animal Medical Center (in the case of information contained herein relating to the Mortgagor and the Project), and other sources which are believed to be reliable but such information 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. No representation or warranty is made by the Underwriter as to the accuracy or completeness of such information and nothing contained in the Official Statement is, or may be relied on as, a promise or representation by the Underwriter. 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 the New York City Housing Development Corporation, Allied Irish Banks, p.l.c. or The Animal Medical Center since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2003 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 UNDERWRITER MAY OFFER AND SELL THE 2003 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

---

TABLE OF CONTENTS

---

	<u>Page</u>
INTRODUCTION.....	1
THE CORPORATION .....	2
THE MORTGAGE LOAN.....	7
THE PROJECT AND THE MORTGAGOR.....	8
ALLIED IRISH BANKS, P.L.C. ....	9
DESCRIPTION OF THE 2003 BONDS .....	11
ESTIMATED SOURCES AND USES OF FUNDS .....	17
DEBT SERVICE TABLE.....	17
SECURITY FOR THE BONDS .....	18
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION .....	20
SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT.....	33
AGREEMENT OF THE STATE.....	37
TAX MATTERS .....	38
NO LITIGATION.....	40
CERTAIN LEGAL MATTERS .....	40
LEGALITY OF 2003 BONDS FOR INVESTMENT AND DEPOSIT .....	41
RATING.....	41
CONTINUING DISCLOSURE UNDER RULE 15C2-12 .....	41
FURTHER INFORMATION.....	43
MISCELLANEOUS .....	43
APPENDIX A - Definitions of Certain Terms.....	A -1
APPENDIX B - Other Activities of the Corporation.....	B -1
APPENDIX C – The Animal Medical Center.....	C -1
APPENDIX D - Audited Financial Statements of The Animal Medical Center for the four years ended December 31, 1999-2002 .....	D -1
APPENDIX E - Proposed Form of Bond Counsel Opinion .....	E -1



**\$10,140,000**  
**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**Residential Revenue Bonds (The Animal Medical Center )**  
**2003 Series A**

---

This Official Statement (including the cover page and appendices) provides certain information concerning the New York City Housing Development Corporation (the “Corporation”) in connection with the sale of \$10,140,000 Residential Revenue Bonds (The Animal Medical Center), 2003 Series A (the “2003 Bonds”). The 2003 Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the “Act”), and pursuant to a resolution entitled “Residential Revenue Bonds (The Animal Medical Center) Bond Resolution” adopted by the Members of the Corporation on July 21, 2003. Such resolution, as amended and supplemented from time to time, is herein referred to as the “Resolution”. Pursuant to the Resolution, bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the 2003 Bonds, are herein referred to as the “Bonds”. Certain defined terms used herein are set forth in Appendix A hereto.

### **INTRODUCTION**

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the “State”). The Corporation was created by the Act for the purpose of providing and encouraging the investment of private capital in safe and sanitary dwelling accommodations in the City of New York within the financial reach of families and persons of low income, which includes families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. The Act provides that the Corporation and its corporate existence shall continue at least so long as bonds, notes or other obligations of the Corporation shall be outstanding.

The 2003 Bonds are being issued to finance a mortgage loan (the “Mortgage Loan”) to The Animal Medical Center, a New York not-for-profit corporation (sometimes referred to as the “Mortgagor”), for the purposes of paying a portion of the cost of acquiring a multi-family rental housing facility located at 320 East 53rd Street in the Borough of Manhattan, New York (the “Project”), and certain other costs related thereto. See “THE PROJECT AND THE MORTGAGOR — The Project”

Concurrently with, and as a condition precedent to, the issuance of the 2003 Bonds, the Corporation will cause to be delivered to Wachovia Bank, National Association, as trustee (the “Trustee”) under the Resolution, an irrevocable direct pay letter of credit (the “Letter of Credit”) issued by Allied Irish Banks, p.l.c. (“AIB” or the “Bank”). The Letter of Credit will permit the Trustee to draw up to an amount equal to the aggregate principal amount of the 2003 Bonds then Outstanding plus an amount equal to at least 193 days of interest on the Outstanding 2003 Bonds, in order to pay the principal of, and interest on, the 2003 Bonds. The Letter of Credit will be issued pursuant to the provisions of the Letter of Credit

Reimbursement Agreement dated as of the date of initial issuance of the 2003 Bonds (the “Credit Agreement”), between the Mortgagor and the Bank. The Letter of Credit will expire on September 25, 2008 unless terminated earlier or extended in accordance with its terms. See “ALLIED IRISH BANKS, P.L.C.,” “SECURITY FOR THE BONDS — Letter of Credit” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” herein. Under certain circumstances, the Corporation or the Mortgagor may replace the Letter of Credit with a Substitute Letter of Credit or other form of Alternate Security. See “SECURITY FOR THE BONDS—Alternate Security”.

The 2003 Bonds are special obligations of the Corporation payable from Revenues (as defined herein) and certain other moneys pledged therefor under the Resolution, including any investment earnings thereon. In addition, the 2003 Bonds are payable from amounts obtained under the Letter of Credit, any Substitute Letter of Credit or any Alternate Security (collectively, the “Credit Facility”), provided in accordance with the terms of the Resolution.

**The 2003 Bonds are not a debt of the State of New York or The City of New York and neither the State nor the City shall be liable thereon, nor shall the 2003 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

Descriptions of the 2003 Bonds and sources of payment, the Corporation, the Bank, the Mortgagor, the Project, the Mortgage Loan, the Letter of Credit, the Credit Agreement, the Resolution and certain related agreements are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2003 Bonds are qualified in their entirety by reference to the Resolution and the provisions with respect thereto included in the aforesaid documents and agreements. Copies of the Resolution are available for inspection at the office of the Corporation. The Corporation has covenanted in the Resolution to provide a copy of each annual report of the Corporation (and certain special reports, if any) and any Accountant’s Certificate relating thereto to each Bond owner who shall have filed such owner’s name and address with the Corporation for such purposes. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Accounts and Reports” herein.

## **THE CORPORATION**

### Recent Developments

Since 2002, an investigation relating to the Corporation has been made and is continuing. Additionally, in May 2003, the Corporation experienced significant changes in senior management. Information concerning these activities is further detailed below.

Investigation. The United States Attorney for the Southern District of New York (the “U.S. Attorney”) and The City of New York Department of Investigation (“DOI”) have been jointly investigating, among other things, alleged misuse of corporate funds by certain former officers of the Corporation (the “Investigation”) since 2002. As a result of the Investigation, on March 13, 2003, Russell A. Harding,



President of the Corporation from June 1998 to February 2002, was indicted on federal felony charges for participating with others in a scheme to defraud the Corporation of hundreds of thousand of dollars. Mr. Harding has entered a plea of not guilty to the charges against him. On May 5, 2003, Luke Cusack, Senior Vice President for Administration of the Corporation from June 1998 to March 2002, pled guilty to participating in a scheme to defraud the Corporation of hundreds of thousands of dollars, a federal felony.

During the course of the Investigation, the Corporation retained a private law firm to review the controls and financial procedures in place at the Corporation, and recommend enhancements to those procedures to safeguard the Corporation's assets. As a result of the recommendations, on March 18, 2003, the Corporation adopted certain policy and procedural changes designed to assure oversight of the expenditures of the Corporation which have been implemented. In addition, the Corporation entered into a memorandum of understanding with DOI dated March 6, 2003, which was ratified by the Board on March 18, 2003, pursuant to which any allegations of corruption must be referred to DOI, concurrent with the statutory oversight by the State.

The U.S. Attorney and DOI have stated that the Investigation is continuing.

Senior Management Changes. On May 6, 2003, the Mayor announced the resignations, effective immediately, of the President, the Senior Vice President and General Counsel, and the Senior Vice President and Chief Financial Officer of the Corporation, all of whom had been long-serving senior officers of the Corporation. On May 7, 2003, the Chief Information Officer of the Corporation also resigned. In addition, on May 7, 2003, William W. Traylor was appointed Acting President of the Corporation. On May 19, 2003, Randi E. Gordon was appointed Acting Chief Financial Officer of the Corporation. Joy F. Willig, Deputy General Counsel, has been serving as acting General Counsel since May 6, 2003, as provided in the Corporation's By-Laws. See "THE CORPORATION — Organization and Membership" and "Principal Officers".

While the Corporation can give no assurance as to the future course or the ultimate outcome of the Investigation, the Corporation does not believe that either (a) the aforementioned indictment or plea, or the results of the Investigation, or (b) the aforementioned senior management changes will adversely affect the operations of the Corporation, or the pledge, collection or application of any monies or security provided for the payment of the Bonds (including the 2003 Bonds).

### Organization and Membership

The Corporation, pursuant to the Act, consists of the Commissioner of The City of New York Department of Housing Preservation and Development ("HPD") (who is designated as Chairperson of the Corporation pursuant to the Act), the Commissioner of Finance of The City of New York (the "City") and the Director of Management and Budget of the City (such officials to serve *ex-officio*), and four public members, two appointed by the Mayor of the City and two appointed by the Governor of the State of New York. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four members. The Corporation may delegate to one or more of its members, officers, agents or employees such powers and duties as it deems proper.

## Members

**JERILYN PERINE**, Chairperson and Member ex-officio. Ms. Perine was first appointed Commissioner of HPD on September 19, 2000 and was reappointed by Mayor Michael R. Bloomberg. Prior to becoming Commissioner, Ms. Perine was HPD's First Deputy Commissioner, the Deputy Commissioner for Planning and Policy, Assistant Commissioner for Alternative Management Programs (DAMP) and the Assistant Commissioner for Homeless Housing Development. She has held a variety of positions in her 22 years of public service in New York City and has been at HPD since 1986. Ms. Perine, an urban planner, graduated from City College with a degree in political science and completed graduate work in city planning at New York University.

**PETER J. MADONIA**, Vice-Chairperson and Member, term expires December 31, 2005. Mr. Madonia was appointed Chief of Staff to Mayor Michael R. Bloomberg on January 1, 2002. Prior to his appointment as the Mayor's Chief of Staff, Mr. Madonia served as First Deputy Commissioner of the New York City Fire Department, Deputy Commissioner for Budget and Operations at the New York City Department of Buildings, and Executive Assistant to the New York City Deputy Mayor for Operations. Mr. Madonia received a Bachelor of Arts degree from Fordham University, where he taught as an Adjunct Professor for Urban Studies, and a Master's degree in Urban Studies from the University of Chicago.

**MARK PAGE**, Member ex-officio. Mark Page was appointed New York City Budget Director in January, 2002. Mr. Page was previously employed in the New York City Office of Management and Budget from 1978 to 2001, where he served as Deputy Director/General Counsel since 1982. Mr. Page is a graduate of Harvard University and the New York University School of Law.

**MARTHA E. STARK**, Member ex-officio. Martha E. Stark was appointed New York City Commissioner of Finance by Mayor Michael R. Bloomberg on February 11, 2002. From 1990-1993, Ms. Stark held several senior management positions in the Department of Finance, including Acting Director of the Conciliations Bureau and Assistant Commissioner. She served as a White House Fellow in the U.S. Department of State in 1993-1994, and later became Director and Deputy Counsel for Policy and Development in the Manhattan Borough President's Office. Ms. Stark consulted on an influential Brookings Institution report on the District of Columbia's fiscal health and co-authored a study for the New York University School of Law that analyzed the high cost of building and renovating housing in New York City. Prior to her appointment, Ms. Stark was a Portfolio Manager at the Edna McConnell Clark Foundation, managing millions of dollars in youth grants. She also taught budget and finance courses at Hunter College and business law at Baruch College. Born in the Brownsville section of Brooklyn, Ms. Stark attended Brooklyn Technical High School, earned an AAS from New York City Community College, a BA from New York University, where she captained the varsity basketball team, and a law degree from NYU.

**HARRY E. GOULD, JR.**, Member, term expires December 31, 2003. Mr. Gould is Chairman, President, and Chief Executive Officer of Gould Paper Corporation, the largest privately owned independent distributor of printing paper in the United States. He was Chairman and President of Cinema Group, Inc., a major independent film financing and production company, from 1982 to

May, 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. He is a Life Member of the Executives Branch of the Academy of Motion Picture Arts and Sciences. From 1995 until 2003, he was a member of the Board of Directors of Domtar Inc., currently a \$CDN 6 billion corporation, which is the largest Canadian manufacturer of packaging and fine paper and the third largest producer of uncoated freesheet in North America and the fourth largest in the world. He is a member of the Board of Directors of the USO of Metropolitan New York. He is a member of the Actors Studio Drama School Board of Governors of the New School University. He was a member of the Board of Trustees of the American Management Association from 1997 to 2001. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was Vice Chairman of the President's Export Council, was a member of the Executive Committee and was Chairman of the Export Expansion Subcommittee from 1977 to 1980. He was a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee from 1977 to 1999. He was a member of the Board of United Cerebral Palsy Research and Educational Foundation and the National Multiple Sclerosis Society of New York from 1972 to 1999. He was a Trustee of the Riverdale Country School from 1990 to 1999.

**CHARLES G. MOERDLER**, Member, serving pursuant to law. Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to 1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of Elections in 1974, Member of the New York City Air Pollution Control Board from 1966 to 1967 and Special Counsel to the New York State Assembly, Committee on Judiciary in 1961 and Committee on The City of New York in 1960. Mr. Moerdler also serves as a Trustee of St. Barnabas Hospital and served on the Board of Overseers of the Jewish Theological Seminary of America. He served as a Trustee of Long Island University from 1985 to 1991 and on the Advisory Board of the School of International Affairs, Columbia University from 1976 to 1979. Mr. Moerdler is a graduate of Long Island University and Fordham Law School, where he was an Associate Editor of the Fordham Law Review.

**MICHAEL W. KELLY**, Member, serving pursuant to law. Mr. Kelly is the managing partner of the Flying Point Group LLC which is a structured financial products and asset management company. Prior to that, Mr. Kelly was Managing Director of Ambac Capital Corporation and oversaw all of the non-insurance businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He

began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.

#### Principal Officers

**JERILYN PERINE**, Chairperson.

**PETER J. MADONIA**, Vice-Chairperson.

**WILLIAM W. TRAYLOR**, Acting President. Mr. Traylor was appointed Acting President on May 7, 2003. Prior to joining the Corporation in March 2003, Mr. Traylor was the President of The Richman Group of New York, LLC, where he managed The Richman Group's New York office as well as assisted in marketing and investment program development and oversaw its structured finance initiatives. Prior to joining The Richman Group in January 2001, Mr. Traylor was the Managing Director of the Local Initiatives Support Corporation's New York office. In that position, he oversaw an \$835 million New York Equity Fund as well as the lending and grant making activities in the New York office. Prior to 1994, Mr. Traylor held various positions within the New York City Department of Housing Preservation and Development and with non-profit housing developers in New York City. Mr. Traylor received his bachelor's degree from Stonehill College and his master's degree from the University of Notre Dame.

**LISA GOMEZ**, Senior Vice President for Development. Ms. Gomez was appointed Senior Vice President for Development of the Corporation on August 1, 2002. She has over a decade of comprehensive real estate and finance experience in residential, commercial and economic development. Prior to joining the Corporation, Ms. Gomez served as a Vice President for JP Morgan Chase Bank, where she was responsible for structuring, underwriting, closing and syndicating financial transactions relating to community development. Ms. Gomez has also held various positions with the New York City Economic Development Corporation, Seedco (a non-profit organization) and Silverstein Properties. Currently, she is a member of Urban Land Institute and serves on several boards, including the Habitat for Humanity Real Estate Committee. She is a graduate of Louisiana State University and has completed the Chase Manhattan Bank Credit Training Program.

**RANDI E. GORDON**, Acting Chief Financial Officer. Ms. Gordon was appointed Acting Chief Financial Officer of the Corporation on May 19, 2003. Previously, Ms. Gordon had been appointed Senior Vice President for Administration of the Corporation on May 31, 2002. Prior to joining the Corporation, Ms. Gordon was a Vice President at Dime Savings Bank of New York, where she financed and structured commercial real estate and community development transactions. Previously, she also served as Deputy Commissioner of Real Estate at the New York City Department of General Services, and as Manager of Asset Dispositions at Integrated Resources, Inc. In 1990, Ms. Gordon was an Assistant Professor of Finance and Business Law at the City University of New York. During the period of her legal career, she also worked as a Real Estate Associate at Weil, Gotshal & Manges, an Associate at Hess Segall (now Loeb & Loeb) and as a Deputy County Attorney at the Nassau County Attorneys Office. Ms. Gordon received her BA

from the State University of New York at Albany, her JD from Tulane University School of Law and her MBA from New York University Graduate School of Business Administration.

**JOY F. WILLIG**, Deputy General Counsel and Secretary. Ms. Willig, an attorney and member of the New York Bar, joined the Corporation in August 1998, and was appointed as Deputy General Counsel and Assistant Secretary in September 1998. She was designated to serve as Secretary in May 2000. Prior to joining the Corporation, she was an Associate Counsel at the New York State Housing Finance Agency, was associated with a law firm in New York City and clerked in the United States District Court, Southern District of New York. Ms. Willig received a Bachelor of Science from Cornell University and her J.D. from Cardozo School of Law.

### Purposes and Powers of the Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in the City of New York for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans to specified private entities; to purchase loans from lending institutions; to make loans insured or coinsured by the Federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any Federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from the City, obtain Federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the 2003 Bonds, notes, or other obligations are outstanding.

The sale of the 2003 Bonds and the terms of such sale are subject to the approval of the Comptroller of the City. The Corporation is a “covered organization” as such term is defined in the New York State Financial Emergency Act for The City of New York, as amended, and the issuance of the 2003 Bonds is subject to the review of the New York State Financial Control Board for The City of New York.

For a description of the other activities of the Corporation, see “Appendix B – Other Activities of the Corporation”.

### **THE MORTGAGE LOAN**

The Resolution authorizes the Corporation to issue the 2003 Bonds to provide moneys to finance the Mortgage Loan for the purposes of paying a portion of the cost of acquiring the Project and certain other costs related thereto. As a condition to the initial issuance and delivery of the 2003 Bonds, the Bank

is to deliver the Letter of Credit for the benefit of the Trustee. In addition, the Corporation and the Mortgagor will enter into a loan agreement (as the same may be amended or supplemented, the “Loan Agreement”), prior to or simultaneously with such issuance of the 2003 Bonds. The Mortgage Loan is to be evidenced by a mortgage note (as the same may be amended or supplemented, the “Mortgage Note”), in an aggregate amount equal to the principal amount of the 2003 Bonds, executed by the Mortgagor in favor of the Corporation and secured by a mortgage and security agreement (as the same may be amended or supplemented, the “Mortgage”). The Mortgagor is required under the Mortgage Note to make payments sufficient to pay principal of and interest on the 2003 Bonds. Pursuant to the terms of the Resolution and the Assignment and Servicing Agreement by and among the Corporation, the Trustee, the Credit Issuer and the Mortgagor (the “Assignment”), the Corporation is to assign to the Trustee and to the Bank all of its right, title and interest in the Mortgage Loan, the Loan Agreement, the Mortgage Note, the Mortgage and other assigned documents (except certain reserved rights as described in the Assignment).

Failure of the Mortgagor to make payments when due under the Mortgage Note or the Credit Agreement, as the case may be, will result in an event of default under the Credit Agreement and may cause a mandatory redemption, in whole or in part, of the 2003 Bonds. See “DESCRIPTION OF THE 2003 BONDS—Redemption of 2003 Bonds - Mandatory - Mandatory Redemption Upon a Declaration of Acceleration - Following an Event of Termination” herein. See also “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” herein.

## **THE PROJECT AND THE MORTGAGOR**

The following information has been provided by the Mortgagor for use herein. While the information is believed to be reliable, neither the Corporation, the Underwriter, the Bank, nor any of their respective counsel, members, officers or employees makes any representations as to the accuracy or sufficiency of such information.

### The Project

The 2003 Bonds are being issued to finance the Mortgage Loan to the Mortgagor for the purpose of funding a portion of the purchase price of approximately \$17,500,000 to acquire a multi-family, residential, rental apartment building (the “Project”) located at 320 East 53rd Street in the Borough of Manhattan in the City of New York and certain other costs related thereto. The Mortgagor will pay the balance of the cost of acquiring the Project out of its own funds. It is expected that the portion of the Project that is funded with the proceeds of the 2003 Bonds (the “Subsidized Units”) will be used by the Mortgagor to provide subsidized housing for certain of its residents in veterinary medicine, interns and permanent staff members.

The Project consists of a 10-story residential apartment building of approximately 66,845 square feet, which was constructed in 1929 and substantially renovated and reconstructed in 1984. The building contains 80 apartment units, including 30 studio apartments and 48 one-bedroom and two two-bedroom apartments. The Project is expected to include 42 Subsidized Units (although the number of Subsidized Units may be changed with the prior written consent of the Corporation). Of the remaining apartments, 14 are currently occupied by tenants under rent-control or rent-stabilization laws and the balance of the

apartments will initially be offered for rent at market rates to persons who may be affiliated with the Mortgagor or unaffiliated with the Mortgagor, including other non-profit organizations or persons affiliated with other non-profit organizations. If the Mortgagor's need for subsidized housing units grows in the future, other available apartments in the Project may also be used for subsidized staff housing.

The Mortgagor will enter into occupancy agreements with those veterinary residents, interns and permanent staff members who will occupy the Subsidized Units. The occupancy agreements will provide that a person may occupy a Subsidized Unit only during the period in which such person is a full-time resident in veterinary medicine, intern or permanent staff member of the Mortgagor. The right to occupy a Subsidized Unit will terminate when a person ceases to be a full-time resident, intern or permanent staff member of the Mortgagor.

#### The Mortgagor

Information concerning the Mortgagor is contained in Appendix C to this Official Statement.

### **ALLIED IRISH BANKS, P.L.C.**

#### **The Letter of Credit**

Allied Irish Banks, p.l.c. ("AIB") is issuing the Letter of Credit through its New York Branch, a full branch banking facility which is licensed by the State of New York Banking Department and whose deposits are insured by the Federal Deposit Insurance Corporation. THE LETTER OF CREDIT IS SOLELY AN OBLIGATION OF ALLIED IRISH BANKS, P.L.C. ACTING BY AND THROUGH ITS NEW YORK BRANCH. IT IS NEITHER AN OBLIGATION OF NOR GUARANTEED BY AIB'S SUBSIDIARIES OR OTHER AFFILIATES. THE LETTER OF CREDIT IS NOT A DEPOSIT AND IS NOT FDIC INSURED.

#### **Allied Irish Banks, p.l.c.**

THIS FOLLOWING REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS SUMMARY DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF AIB OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH AIB.

AIB reports its financial information on a consolidated basis which includes AIB and certain affiliates and subsidiaries ("AIB Group"). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain, Poland and the United States. AIB Group is currently organized into five (5) divisions: Republic of Ireland; Great Britain & Northern Ireland; Poland; Capital Markets (which includes AIB's New York Branch) and Group Technology & E-Business.

AIB is the largest banking corporation organized under the laws of Ireland. As of December 31, 2002, AIB's total assets were EUR86 billion. Pre-tax profits for the year ending December 31, 2002

amounted to EUR1,375 million. Profit after tax was EUR1,069 million. Return on equity was 22.4% and return on assets was 1.24%. AIB is not a “reporting company” for purposes of Securities

---

Note: rate as at 12/31/02 - EUR1 = \$1.0487

and Exchange Commission filings and the financial information set forth in this paragraph constitutes the most current information which has been released to the public.

Effective April 1st 2003, AIB Group acquired a 22.5% stake in M&T Bank Corporation [NYSE:MTB], Buffalo, New York as result of the merger of AIB’s subsidiary Allfirst Financial Inc with M&T Bank Corporation, which merger has created a mid-Atlantic banking franchise with over 700 branches in six (6) states and the District of Columbia.

AIB’s New York Branch files quarterly reports on Form FFIEC-002 (“Call Reports”) with the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10001, the Federal Deposit Insurance Corporation (“FDIC”) at 20 Exchange Place, New York, NY 10005 and with the New York State Banking Department at 1 State Street, New York, NY 10004. The Call Reports are publicly available.

AIB is an Irish registered public limited company and its ordinary shares are quoted on the Dublin and London stock exchanges. The Group’s ordinary shares (symbol AIB) and non-cumulative preference shares (symbol AIBPr) are traded in the USA on the New York Stock Exchange in the form of American Depositary Shares (“ADS”) and each ADS is evidenced by an American Depositary Receipt (“ADR”). AIB, as a foreign private issuer of securities in the United States, is required to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”) within 6 months after the end of each fiscal year. Moreover, a foreign issuer, unlike domestic companies, is required to submit to the SEC under the Exchange Act on Form 6-K, only those interim reports and other materials that the issuer prepares in accordance with home country or home market requirements or delivers to its security holders. Exchange Act documents filed by AIB are publicly available at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549 and at its regional offices at 233 Broadway, New York, NY 10279 and 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of documents filed by AIB with the SEC may also be accessed electronically by means of the SEC’s home page on the Internet at “<http://www.sec.gov>”.

Any of the documents referred to herein (other than exhibits to such documents) are available upon request, without charge, by writing to the Chief Financial Officer, Allied Irish Banks, p.l.c., New York Branch, 405 Park Avenue, New York, NY 10022. Additional information about AIB, including a copy of AIB Group’s Annual Report and Form 20-F, is presently available on the Internet at “<http://www.aib.ie>”.

None of such information or any of the statements referred to in the preceding paragraphs is guaranteed as to accuracy or completeness by the Corporation, the Underwriter or the Mortgagor, or is to be construed as a representation by the Corporation, the Underwriter or the Mortgagor. Furthermore, neither the Corporation, the Underwriter nor the Mortgagor makes any representations as to the financial



condition or resources of AIB or as to the absence of material adverse changes subsequent to December 31, 2002 in such information or in the information contained in the statements referred to above.

## **DESCRIPTION OF THE 2003 BONDS**

### General

The 2003 Bonds will be dated their date of delivery, will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. Interest on the 2003 Bonds will be payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2003. The 2003 Bonds will bear interest until payment of the principal thereof is made or provided for in accordance with the provisions of the Resolution, whether at maturity, upon redemption or otherwise.

The 2003 Bonds shall be issued solely in fully registered form, without coupons, issuable in denominations of \$5,000 or any integral multiple thereof. Principal and premium, if any, and interest on the 2003 Bonds will be payable through Wachovia Bank, National Association, New York, New York, as Trustee under the Resolution.

### Book-Entry-Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s nominee). One fully-registered 2003 Bond certificate will be issued for each stated maturity of the 2003 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 securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry changes in Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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 Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2003 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, but Beneficial Owners are expected to receive written confirmation 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 2003 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Bonds deposited by Participants with DTC are registered in the name of DTC’s nominee, Cede & Co. The deposit of 2003 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2003 Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices shall be sent to Cede & Co. If less than all of the 2003 Bonds within a stated maturity are being redeemed, DTC’s current practice is to determine by lot the amount of the interest of each Direct Participant in such 2003 Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 2003 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the 2003 Bonds 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 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption payments on the 2003 Bonds will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds and principal and interest to DTC is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

DTC may discontinue providing its services as securities depository with respect to the 2003 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2003 Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event 2003 Bond certificates will be printed and delivered.

NEITHER THE CORPORATION NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE 2003 BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO 2003 BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A 2003 BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2003 BONDS.

**The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriter believe to be reliable, but neither the Corporation nor the Underwriter take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or Indirect Participants.**

So long as Cede & Co. is the registered owner of the 2003 Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2003 Bonds (other than under the captions "TAX MATTERS" and "CONTINUING DISCLOSURE UNDER RULE 15C2-12") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2003 Bonds.

#### Redemption of 2003 Bonds – Mandatory

##### Mandatory Sinking Fund Redemption.

The 2003 Bonds due December 1, 2018, December 1, 2024, and December 1, 2033 are subject to redemption at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption thereof, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on December 1, of each year the principal amount of such 2003 Bonds specified for each of the Redemption Dates shown below:

**2003 Series A Term Bond maturing on December 1, 2018**

<u>December 1</u>	<u>Principal Amount</u>	<u>December 1</u>	<u>Principal Amount</u>
2017	\$350,000	2018	\$370,000*

---

\* Maturity.

**2003 Series A Term Bond maturing on December 1, 2024**

<u>December 1</u>	<u>Principal Amount</u>	<u>December 1</u>	<u>Principal Amount</u>
2019	\$385,000	2022	\$445,000
2020	\$405,000	2023	\$470,000
2021	\$425,000	2024	\$495,000*

---

\* Maturity.

**2003 Series A Term Bond maturing on December 1, 2033**

<u>December 1</u>	<u>Principal Amount</u>	<u>December 1</u>	<u>Principal Amount</u>
2025	\$515,000	2030	\$675,000
2026	545,000	2031	715,000
2027	575,000	2032	755,000
2028	610,000	2033	795,000*
2029	640,000		

---

\* Maturity.

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase of the 2003 Bonds to be redeemed from Sinking Fund Payments, at prices (including any brokerage and other charges) not exceeding the applicable Redemption Price, plus accrued interest to the date of purchase

Upon the purchase or redemption of any 2003 Bonds for which Sinking Fund Payments shall have been established, other than by application of Sinking Fund Payments, an amount equal to the principal amount of the 2003 Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the 2003 Bonds of any such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by

the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer of the Corporation at the time of such purchase or redemption.

Mandatory Redemption From Certain Recoveries of Principal and Other Moneys. The 2003 Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity, in an amount not in excess of (i) any Recoveries of Principal (other than the advance payment of amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor), and (ii) other moneys made available under the Resolution in connection with the redemption described in (i) above, at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date.

The 2003 Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity on or after December 1, 2010, in an amount not in excess of (i) Recoveries of Principal resulting from advance payments of amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor, and (ii) other moneys made available under the Resolution in connection with the redemption described in (i) above, at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Mandatory Redemption on Bankruptcy of Credit Issuer. The 2003 Bonds are subject to mandatory redemption in whole at any time prior to maturity, if, within 30 days after an Act of Bankruptcy of the Credit Issuer, the Trustee has not received a new Credit Facility, at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds to be redeemed, plus accrued interest to the Redemption Date.

Mandatory Redemption Upon a Declaration of Acceleration.

Following an Event of Default. The 2003 Bonds are subject to mandatory redemption, in whole, without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Default under the Resolution at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

Following an Event of Termination. The 2003 Bonds are subject to mandatory redemption, in whole, without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Termination under the Resolution at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds to be redeemed, plus accrued interest to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

Mandatory Redemption Following a Determination of Taxability. The 2003 Bonds are subject to mandatory redemption, in whole, as soon as practicable after the occurrence of a “Determination of Taxability” at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds to be redeemed plus accrued interest to the Redemption Date. A “Determination of Taxability” with respect to the 2003 Bonds shall be deemed to occur if there shall be a final decree or judgment of a Federal court, or a final determination by the Internal Revenue Service for which all appeal or challenge periods have expired without challenge or appeal having been instituted, to the effect that the interest paid or payable on any 2003

Bond is or was includable in the gross income of the owner of such 2003 Bond for Federal income tax purposes, other than as a result of the owner of such 2003 Bond being a “substantial user” of the facilities financed by the 2003 Bonds or a “related person” within the meaning of the Code.

Mandatory Redemption Upon Expiration of the Credit Facility. The 2003 Bonds are subject to mandatory redemption prior to maturity, as a whole, on any date selected by the Corporation which shall not be less than fifteen (15) nor more than thirty (30) days prior to the expiration date of the Credit Facility, if the expiration date of the Credit Facility has not been extended and no Substitute Letter of Credit or Alternate Security has been delivered to the Trustee on or prior to the sixtieth (60th) day prior to the then scheduled expiration date of the Credit Facility, at the Redemption Price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption.

#### Redemption of 2003 Bonds – Optional

Optional Redemption. The 2003 Bonds maturing on or after December 1, 2011 are subject to redemption prior to maturity on or after December 1, 2010 in any order at the option of the Corporation, as a whole or in part at any time, at a Redemption Price equal to 100% of the principal amount of the 2003 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

#### Selection of 2003 Bonds to be Redeemed

In connection with any redemption of the 2003 Bonds in part, the Trustee shall select the 2003 Bonds or portions thereof to be redeemed by lot in such manner as the Trustee may determine. No 2003 Bond shall be selected for redemption if the portion of such 2003 Bond remaining after such redemption would not be a denomination authorized by the Resolution.

#### Notice of Redemption

When the Trustee receives notice from the Corporation of its election or direction to redeem the 2003 Bonds, or is required pursuant to the Resolution to redeem the 2003 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2003 Bonds. Such notice is to specify, among other things, the 2003 Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. The Trustee is to mail a copy of such notice by first class mail, postage prepaid, to the registered owners of any 2003 Bonds or portions of 2003 Bonds which are to be redeemed, at their last addresses appearing upon the registry books not less than thirty (30) days before the Redemption Date. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2003 Bonds for which, pursuant to the Resolution, notice is not required to be given. If the conditions precedent to the redemption, if any, have been satisfied, interest shall cease to accrue and be payable on the 2003 Bonds after the Redemption Date if notice has been given, or is not required to be given, and if sufficient moneys have been deposited with the Trustee to pay the applicable Redemption Price and interest on the 2003 Bonds on such date. So long as the 2003 Bonds are in book-entry-only form, notice of redemption shall be given to Cede & Co., as nominee for DTC. See “DESCRIPTION OF THE 2003 BONDS—Book-Entry-Only System”.

## Corporation's Right to Purchase

The Corporation retains the right to purchase the 2003 Bonds at such times, in such amounts and at such prices less than or equal to par as the Corporation shall determine, subject to the provisions of the Resolution, and thereby reduce its obligations, if any, for the 2003 Bonds.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the 2003 Bonds will be used to fund the Mortgage Loan to the Mortgagor, which Mortgage Loan proceeds will be used to pay a portion of the cost of acquiring the Project, the Underwriter's fee in the amount of \$152,100 and certain other costs related thereto.

## **DEBT SERVICE TABLE**

<b>12-Month Period Ending December 31,</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2003	--	\$ 96,928.33	\$ 96,928.33
2004	--	528,700.00	528,700.00
2005	--	528,700.00	528,700.00
2006	--	528,700.00	528,700.00
2007	--	528,700.00	528,700.00
2008	--	528,700.00	528,700.00
2009	--	528,700.00	528,700.00
2010	--	528,700.00	528,700.00
2011	--	528,700.00	528,700.00
2012	--	528,700.00	528,700.00
2013	--	528,700.00	528,700.00
2014	\$310,000	528,700.00	838,700.00
2015	325,000	515,525.00	840,525.00
2016	335,000	500,900.00	835,900.00
2017	350,000	485,825.00	835,825.00
2018	370,000	469,200.00	839,200.00
2019	385,000	451,625.00	836,625.00
2020	405,000	432,375.00	837,375.00
2021	425,000	412,125.00	837,125.00
2022	445,000	390,875.00	835,875.00
2023	470,000	368,625.00	838,625.00
2024	495,000	345,125.00	840,125.00
2025	515,000	320,375.00	835,375.00
2026	545,000	292,050.00	837,050.00
2027	575,000	262,075.00	837,075.00
2028	610,000	230,450.00	840,450.00
2029	640,000	196,900.00	836,900.00
2030	675,000	161,700.00	836,700.00
2031	715,000	124,575.00	839,575.00
2032	755,000	85,250.00	840,250.00
2033	795,000	43,725.00	838,725.00



## **SECURITY FOR THE BONDS**

### Pledge of the Resolution

The Resolution constitutes a contract among the Corporation, the Trustee and the owners of the Bonds issued thereunder and its provisions are for the equal benefit, protection and security of the owners of all such Bonds, each of which, regardless of maturity, is to be of equal rank without preference, priority or distinction except as provided in the Resolution.

The Bonds are special obligations of the Corporation payable from the Revenues and amounts on deposit in the Accounts (other than amounts deposited in or to be deposited in the Rebate Fund) as described herein. In addition, the Bonds are payable from amounts obtained under the Credit Facility. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of Revenues, which consists of all payments received by the Corporation from or on account of the Mortgage Loan, including scheduled, delinquent and advance payments of principal and interest, proceeds from the sale, assignment, or other disposition of the Mortgage Loan in the event of a default thereon, proceeds of any insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under the Resolution. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charge or settlement fees on account of the Mortgage Loan or payments for deposit to the Rebate Fund. Payment of the Bonds is also secured by a pledge by the Corporation of the rights and interest of the Corporation in and to all Accounts (other than amounts deposited in or to be deposited in the Rebate Fund) established pursuant to the Resolution (including the investments of such Accounts, if any). The Credit Issuer shall have certain rights with respect to, among other things, extensions, remedies, waivers, amendments and actions unless there is a Wrongful Dishonor of the Credit Facility by the Credit Issuer, to the extent and as provided in the Resolution.

The pledges described in the immediately preceding paragraph are also subject to the terms and provisions of the Resolution requiring transfers of amounts to the Rebate Fund and permitting the application of the Revenues and amounts in such Accounts for the purposes described herein.

Pursuant to the Assignment, all of the Corporation's rights under the Mortgage Loan (except certain reserved rights as described in the Assignment) will be assigned to the Trustee on behalf of the owners from time to time of the Bonds, as security for the payment of the principal of and interest on the Bonds, and to the Bank, as security for the obligations of the Mortgagor under the Credit Agreement. The Corporation has also assigned under the Assignment its rights to enforce the terms, covenants and conditions of the Mortgage Loan to the Bank and the Trustee as their respective interests may appear. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Covenants with Respect to the Mortgage Loan".

### Letter of Credit

The 2003 Bonds when initially issued will have the benefit of an irrevocable direct pay Letter of Credit issued by the Bank, which Letter of Credit will expire on September 25, 2008 unless earlier terminated or extended. The Letter of Credit may be replaced with a Substitute Letter of Credit or various other forms of credit enhancement ("Alternate Security"; the Letter of Credit, Substitute Letter of Credit or

Alternate Security being herein referred to as the “Credit Facility”), as described below under the caption “Alternate Security”. Further information regarding the Letter of Credit is contained herein under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” and further information regarding the Bank is contained herein under the caption “ALLIED IRISH BANKS, P.L.C.”.

#### Alternate Security

Pursuant to the Resolution, the Corporation may, at any time, at its option, upon written notice to the Credit Issuer, or the Mortgagor may, at any time, at its option with the prior written consent of the Corporation and upon written notice to the Credit Issuer, deliver or cause to be delivered to the Trustee a Substitute Letter of Credit or Alternate Security provided by the Mortgagor; provided, however, that a Credit Facility must be in effect with respect to the 2003 Bonds.

(A) No such Substitute Letter of Credit or Alternate Security shall be or become effective for purposes of the Resolution unless the Corporation has provided the Trustee with the following: (1) an opinion of Bond Counsel to the effect that the proposed Credit Facility meets the requirements of the Resolution and will not adversely affect the exclusion of interest on the 2003 Bonds from gross income for Federal income tax purposes, (2) an opinion of counsel to the obligor under such Credit Facility, addressed to the Trustee, stating that such Credit Facility constitutes a legal, valid and binding obligation of such obligor and is enforceable in accordance with its terms (except as enforceability thereof may be limited by applicable laws for the relief of debtors and by general principles of equity which permit the exercise of judicial discretion), (3) a letter from each national rating agency or agencies then rating the 2003 Bonds to the effect that the ratings on the 2003 Bonds (a) will not, as a result of the substitution of such Substitute Letter of Credit or Alternate Security for the then existing Credit Facility, be reduced or withdrawn and (b) will be at least investment grade, (4) an amount sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility, and (5) a certificate of the Credit Issuer that all Reimbursement Obligations (as defined in the Credit Agreement) have been fully paid or otherwise provided for to date.

(B) A Substitute Letter of Credit or Alternate Security shall be delivered to the Trustee not less than sixty (60) days prior to the expiration date of the Credit Facility, provided, however, that such Substitute Letter of Credit or Alternate Security may provide that amounts may not be drawn thereunder prior to the expiration or termination date of the then existing Credit Facility.

#### Additional Bonds

Additional Bonds, on a parity with the 2003 Bonds then Outstanding, may be issued by the Corporation pursuant to the Resolution for any one or more of the following purposes: (i) financing increases in the Mortgage Loan, (ii) refunding Bonds, (iii) establishing reserves for such Additional Bonds, and (iv) paying the costs of issuance related to such Additional Bonds. For so long as the Credit Facility shall be in effect for the 2003 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2003 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Parity Bonds” herein.

## 2003 Bonds Not a Debt of the State or the City

The 2003 Bonds are not a debt of the State of New York or of The City of New York, and neither the State nor the City shall be liable thereon, nor shall the 2003 Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

### **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

Set forth below are abridged or summarized excerpts of certain sections of the Resolution. These excerpts do not purport to be complete or to cover all sections of the Resolution. Reference is made to the Resolution, copies of which are on file with the Corporation and the Trustee, for a complete statement of the rights, duties and obligations of the Corporation, the Trustee and the Bond owners thereunder.

#### Contract With Bond Owners--Security for Bonds--Limited Obligation

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the Resolution shall be deemed to be and shall constitute a contract among the Corporation, the Trustee and the owners from time to time of such Bonds. The pledges and assignments made in the Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of the owners of any and all of such Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Resolution. The Corporation pledges the Revenues and all amounts held in any Account established under the Resolution, to the payment of the principal or Redemption Price of and interest on the Bonds, subject to provisions permitting the use or application of such amounts for stated purposes, as provided in the Resolution and the Assignment. The foregoing pledge does not include amounts on deposit in or required to be deposited in the Rebate Fund. The Corporation also assigns to the Trustee on behalf of the Bond owners and to the Credit Issuer, as their interests may appear and in accordance with the terms of the Assignment, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents, except as otherwise provided in the Assignment. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged therefor under the Resolution. In addition, the Bonds shall be payable from Credit Facility Payments.

#### Provisions for Issuance of Bonds

In order to provide sufficient funds to finance the Project, Bonds of the Corporation are authorized to be issued without limitation as to amount except as may be provided by law. The Bonds shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered upon the order of the Corporation, but only upon the receipt by the Trustee of, among other things:

- a. a Bond Counsel's Opinion to the effect that (i) the Resolution and the Supplemental Resolution, if any, have been duly adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and other laws

affecting creditors' rights and remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)); (ii) the Resolution and, if applicable, such Supplemental Resolution create the valid pledge and lien which it or they purport to create of and on the Revenues and all the Accounts established under the Resolution and moneys and securities on deposit therein, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the Resolution and such Supplemental Resolution; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the laws of the State, including the Act as amended to the date of such Opinion, and in accordance with the Resolution and such Supplemental Resolution;

b. a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation;

c. the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the Resolution; and

d. with respect to the 2003 Bonds, the Letter of Credit, and with respect to any Additional Bonds, the Credit Facility, if required.

#### Parity Bonds

Additional Bonds may be issued, at the option of the Corporation, on a parity with the Bonds then Outstanding, for the purposes of (i) financing increases in the Mortgage Loan, (ii) refunding Bonds, (iii) establishing reserves for such Additional Bonds and (iv) paying the Costs of Issuance related to such Additional Bonds. Any Additional Bonds shall contain such terms and provisions as are specified in the Supplemental Resolution authorizing the same. The Supplemental Resolution authorizing such Additional Bonds shall utilize, to the extent possible, Accounts established for the Outstanding Bonds.

For so long as a Credit Facility shall be in effect for the 2003 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2003 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds.

#### Application and Disbursements of Bond Proceeds

The proceeds of sale of Bonds shall, as soon as practicable upon the delivery of such Bonds by the Trustee, be applied as follows:

(1) the amount, if any, received at such time as a premium above the aggregate principal amount of such Bonds shall be applied as specified in a certificate of an Authorized Officer, and the amount, if any, received as accrued interest shall be deposited in the Revenue Account;

(2) with respect to any Series issued for the purpose of refunding Bonds, the amount, if any, required to pay Costs of Issuance, as designated by an Authorized Officer of the Corporation, shall be deposited in the Bond Proceeds Account;

(3) with respect to any Series issued for the purpose of refunding Bonds, the balance remaining after such deposits have been made as specified in (1) and (2) above shall be applied as specified in the Supplemental Resolution authorizing such Series;

(4) with respect to the 2003 Bonds, the balance remaining after such deposits have been made as specified in (1) above shall be deposited in the Bond Proceeds Account; and

(5) with respect to any Series (other than the 2003 Bonds) issued for a purpose other than refunding Bonds, the balance remaining after such deposits have been made shall be deposited in the Bond Proceeds Account.

Amounts in the Bond Proceeds Account shall not be disbursed for financing the Mortgage Loan, unless, among other things, (1) the Mortgage Documents and any other document securing the Mortgage Loan shall have been duly executed and delivered, (2) there shall have been filed with the Trustee an opinion of counsel to the effect that the Mortgage Loan complies with all provisions of the Act and the Resolution and (3) the Mortgage is the subject of a policy of title insurance in an amount not less than the unpaid principal balance of the Mortgage Loan insuring a first mortgage lien subject only to Permitted Encumbrances.

#### Deposits and Investments

Any amounts held by the Trustee under the Resolution may be deposited in the corporate trust department of the Trustee and secured as provided in the Resolution. In addition, any amount held by the Trustee under the Resolution may be invested in Investment Securities. In computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued at amortized value or if purchased at par value, at par.

Upon receipt of written instructions from an Authorized Officer of the Corporation, the Trustee shall exchange any coin or currency of the United States of America or Investment Securities held by it pursuant to the Resolution for any other coin or currency of the United States of America or Investment Securities of like amount.

Any other provisions of the Resolution notwithstanding, amounts on deposit in the Letter of Credit Payments Sub-Account, pending application, may only be invested in Government Obligations maturing or being redeemable at the option of the holder thereof in the lesser of thirty (30) days or the times at which such amounts are needed to be expended.

#### Establishment of Accounts

The Resolution establishes the following special trust accounts to be held and maintained by the Trustee in accordance with the Resolution:

- (1) Bond Proceeds Account;
  - (2) Revenue Account (including the Letter of Credit Payments Sub-Account therein);
- and
- (3) Redemption Account.

In the event provision is made for Alternate Security with respect to the Bonds, the Trustee may establish a special trust account with an appropriate designation, and the provisions of the Resolution applicable to the Letter of Credit Payments Sub-Account shall be applicable to the newly created trust account in all respects as if the newly created trust account replaced the Letter of Credit Payments Sub-Account.

#### Bond Proceeds Account

There shall be deposited from time to time in the Bond Proceeds Account the proceeds of the sale of Bonds representing principal or premium or other amounts required to be deposited therein pursuant to the Resolution and any other amounts determined by the Corporation to be deposited therein from time to time.

Amounts in the Bond Proceeds Account shall be expended only (i) to finance the Mortgage Loan; (ii) to pay Costs of Issuance; (iii) to pay principal or Redemption Price of and interest on the Bonds when due, to the extent amounts in the Revenue Account and the Redemption Account are insufficient for such purposes; (iv) to reimburse the Credit Issuer for moneys obtained under the Credit Facility to purchase Bonds or for the purposes set forth in (iii) above; and (v) to pay to the Credit Issuer any regularly scheduled fees due and owing to the Credit Issuer pursuant to the Credit Agreement.

#### Revenue Account

Subject to the provisions of the Assignment, the Corporation shall cause all Pledged Receipts to be deposited in the Revenue Account. There shall also be deposited in the Revenue Account any other amounts required to be deposited therein pursuant to the Resolution. Earnings on all Accounts established under the Resolution not required to be deposited in the Rebate Fund shall be deposited, as realized, in the Revenue Account. During the term of the Letter of Credit, the Trustee shall draw moneys thereunder in accordance with the terms thereof, in a timely manner and in amounts sufficient to pay the principal or Redemption Price of and interest on the Bonds as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise, as well as to pay for any purchase of Bonds, and shall deposit such amounts in the Letter of Credit Payments Sub-Account. During the term of any other Credit Facility, the Trustee shall obtain moneys under such Credit Facility, in accordance with the terms thereof, in a timely manner, in the full amount required to pay the principal or Redemption Price of and interest on the Bonds as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise, as well as to pay for any purchase of Bonds, and shall deposit such amounts in the Letter of Credit Payments Sub-Account.

On or before each Interest Payment Date, the Trustee shall pay, from the sources described below and in the order of priority indicated, the amounts required for the payment of the Principal Installments, if

any, and interest due on the Outstanding Bonds on such date, and on or before the Redemption Date, the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed as follows:

- (1) first, from the Letter of Credit Payments Sub-Account, and to the extent the moneys therein are insufficient for said purpose,
- (2) second, from the Revenue Account, and to the extent the moneys therein are insufficient for said purpose,
- (3) third, from the Redemption Account, and to the extent the moneys therein are insufficient for said purpose,
- (4) fourth, from the Bond Proceeds Account, and to the extent moneys therein are insufficient for such purpose;
- (5) fifth, from any other moneys held by the Trustee under the Resolution and available for such purpose.

After payment of the Principal Installments, if any, and interest due on the Outstanding Bonds has been made, and to the extent payments on the Bonds are made from the source described in subparagraph (1) of this paragraph, amounts available from the sources described in subparagraphs (2) through (5) above, in the order of priority indicated, shall be used immediately to reimburse the Credit Issuer for amounts obtained under the Credit Facility and so applied.

Any moneys accumulated in the Revenue Account up to the unsatisfied balance of each Sinking Fund Payment (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Payment was established) shall, if so directed in writing by the Corporation, be applied by the Trustee on or prior to the forty-fifth day preceding such Sinking Fund Payment (i) to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price plus unpaid accrued interest or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

Upon the purchase or redemption of any Bond for which Sinking Fund Payments have been established from amounts in the Revenue Account, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited by the Trustee against future Sinking Fund Payments in direct chronological order, unless otherwise instructed in writing by an Authorized Officer of the Corporation at the time of such purchase or redemption.

As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall call for redemption on such due date, Bonds in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has

moneys in the Revenue Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date.

On each Interest Payment Date, the Trustee shall transfer from the Revenue Account (after providing for all payments required to have been made prior thereto pursuant to the Resolution) (i) first, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses, (ii) second, at the direction of the Corporation, to the Credit Issuer, an amount equal to any fees due and owing to the Credit Issuer pursuant to the Credit Agreement, and (iii) third, to the Corporation, the Administrative Fee to the extent unpaid. The balance remaining after any such transfers have been made shall be retained in the Revenue Account. Such remaining balance shall be used to offset the Mortgagor's obligation under the Mortgage Loan (in direct chronological order of such obligation), unless the Trustee receives a certificate from the Corporation stating that a default has occurred with respect to any agreement between the Corporation and the Mortgagor. If the Trustee shall thereafter receive a Certificate from the Corporation stating that such default has been cured or waived, such remaining balance shall once again be used to offset the Mortgagor's obligation under the Mortgage Loan (in direct chronological order of such obligation).

#### Redemption Account

Subject to the provisions of the Assignment, there shall be deposited in the Redemption Account all Recoveries of Principal and any other amounts which are required by the Resolution to be so deposited and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of the Resolution or of any Supplemental Resolution authorizing the issuance of Bonds, requiring the application thereof to the payment, purchase or redemption of any particular Bonds, the Trustee shall apply amounts from the sources described in the following paragraph equal to amounts so deposited in the Redemption Account to the purchase or redemption of Bonds at the times and in the manner provided in the Resolution.

On or before a Redemption Date or date of purchase of Bonds in lieu of redemption, the Trustee shall pay, from the sources described below and in the order of priority indicated, the amounts required for the payment of the principal of Outstanding Bonds to be redeemed or purchased and cancelled on such date, as follows:

- (1) first, from the Letter of Credit Payments Sub-Account, and to the extent the moneys therein are insufficient for such purpose,
- (2) second, from the Redemption Account, and to the extent the moneys therein are insufficient for such purpose,
- (3) third, from the Revenue Account, and to the extent the moneys therein are insufficient for such purpose,
- (4) fourth, from the Bond Proceeds Account, and to the extent the moneys therein are insufficient for such purpose,



(5) fifth, from any other moneys held by the Trustee under the Resolution and available for such purpose.

After payment of the principal of such Outstanding Bonds to be redeemed or purchased has been made, and to the extent payments for the redemption or purchase of the Bonds are made from the source described in subparagraph (1) of this paragraph, amounts available from the sources described in subparagraphs (2) through (5) above, in the order of priority indicated, shall be used to reimburse the Credit Issuer for amounts obtained under the Credit Facility for such purpose.

### Rebate Fund

The Resolution also establishes the Rebate Fund as a special trust account to be held and maintained by the Trustee. Earnings on all Accounts required to be deposited in the Rebate Fund are to be deposited, as realized, in the Rebate Fund.

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bond owner or any other person other than as set forth in the Resolution.

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer of the Corporation, shall deposit in the Rebate Fund at least as frequently as the end of each fifth Bond Year and at the time that the last Bond that is part of the Series for which a Rebate Amount is required is discharged, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such time of calculation. The amount deposited in the Rebate Fund pursuant to the previous sentence shall be deposited from amounts withdrawn from the Revenue Account, and to the extent such amounts are not available in the Revenue Account, directly from earnings on the Accounts.

Amounts on deposit in the Rebate Fund shall be invested in the same manner as amounts on deposit in the Accounts, except as otherwise specified by an Authorized Officer of the Corporation to the extent necessary to comply with the tax covenant set forth in the Resolution, and except that the income or interest earned and gains realized in excess of losses suffered by the Rebate Fund due to the investment thereof shall be deposited in or credited to the Rebate Fund from time to time and reinvested.

In the event that, on any date of calculation of the Rebate Amount, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Officer of the Corporation, shall withdraw such excess amount and deposit it in the Revenue Account.

The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer of the Corporation, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the

Resolution, not later than sixty (60) days after the date on which all Bonds of a Series for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

### Payment of Bonds

The Corporation covenants that it will duly and punctually pay or cause to be paid, as provided in the Resolution, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any of the Bonds.

### Tax Covenants

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, the 2003 Bonds and any Additional Bonds, as designated in a Supplemental Resolution, to which the Corporation intends that the following covenants shall apply:

The Corporation shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for Federal income tax purposes.

The Corporation shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to acquire any securities, obligations or other investment property, the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148(a) of the Code.

The Corporation shall not permit any person or “related person” (as defined in the Code) to purchase Bonds in an amount related to the Mortgage Loan to be acquired by the Corporation from such person or “related person”.

### Covenants with Respect to Mortgage Loan

In order to pay the Principal Installments of and interest on the Bonds when due, the Corporation covenants that it shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the kind permitted by the Resolution, to finance the Mortgage Loan pursuant to the Act and the Resolution and any applicable Supplemental Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Pledged Receipts (including diligent enforcement of the prompt collection of all arrears on the Mortgage Loan) and Recoveries of Principal, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on the Mortgage Loan or any subsidy payments in connection with the Project or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loan and the Mortgage Documents, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made; provided, however, that the obligations

of the Corporation in (ii) and (iii) above may be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

#### Issuance of Additional Obligations

The Corporation shall not create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a superior or, except in the case of Bonds, an equal charge and lien on the Revenues and assets pledged under the Resolution. The Corporation shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a subordinate charge and lien on the Revenues and assets pledged under the Resolution unless the Corporation shall have received the written consent of the Credit Issuer.

#### Accounts and Reports

The Corporation shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Mortgage Loan and all Accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing. The Corporation may authorize or permit the Trustee to keep such books on behalf of the Corporation.

If at any time during any fiscal year there shall have occurred an Event of Default or an Event of Default shall be continuing, then the Corporation shall file with the Trustee, within forty-five (45) days after the close of such fiscal year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Account under the Resolution.

The Corporation shall annually, within one hundred twenty (120) days after the close of each fiscal year of the Corporation, file with the Trustee a copy of an annual report as to the operations and accomplishments of the various funds and programs of the Corporation during such fiscal year, and financial statements for such fiscal year, setting forth in reasonable detail, (i) the balance sheet with respect to the Bonds and Mortgage Loan, showing the assets and liabilities of the Corporation at the end of such fiscal year; (ii) a statement of the Corporation's revenues and expenses in accordance with the categories or classifications established by the Corporation in connection with the Bonds and Mortgage Loan during such fiscal year; (iii) a statement of changes in fund balances, as of the end of such fiscal year; and (iv) a statement of cash flows, as of the end of such fiscal year. The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of the Corporation at the end of the fiscal year, the results of its operations and the changes in its fund balances and its cash flows for the period examined, in conformity with generally accepted accounting principles applied on a consistent basis except for changes with which such Accountant concurs.

Except as provided in the second preceding paragraph, any such financial statements may be presented on a consolidated or combined basis with other reports of the Corporation.

A copy of each annual report or special report and any Accountant's Certificate relating thereto shall be mailed promptly thereafter by the Corporation to each Bond owner who shall have filed such owner's name and address with the Corporation for such purposes.

### Supplemental Resolutions

Any modification of or amendment to the provisions of the Resolution and of the rights and obligations of the Corporation and of the owners of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the owners of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the owners of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the owners of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; provided, however, that a modification or amendment referred to in (iii) above shall not be permitted unless the Trustee shall have received a Bond Counsel's Opinion to the effect that such modification or amendment does not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds to which the tax covenants of the Resolution apply. If any such modification or amendment will not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, 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 this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

The Corporation may adopt, without the consent of any owners of the Bonds, Supplemental Resolutions, to, among other things, provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on the issuance of other evidences of indebtedness; add to the covenants and agreements of or limitations and restrictions on, the Corporation's other covenants and agreements or limitations and restrictions which are not contrary to or inconsistent with the Resolution; surrender any right, power or privilege of the Corporation under the Resolution but only if such surrender is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; confirm any pledge under the Resolution, of the Revenues or of any other revenues or assets; modify any of the provisions of the Resolution in any respect whatever (but no such modification shall be effective until all Bonds theretofore issued are no longer Outstanding); provide for the issuance of Bonds in coupon form payable to bearer; authorize the issuance of Additional Bonds and prescribe the terms and conditions thereof; provide that specified provisions of the Resolution that relate to the 2003 Bonds shall also apply to a Series of Additional Bonds; cure any ambiguity or correct any defect or inconsistent provision in the Resolution (provided that the Trustee shall consent thereto); comply with the Code; provide for such changes as are deemed necessary or desirable by the Corporation upon delivery of an Alternate

Security or a Substitute Letter of Credit; provide for such changes as are deemed necessary or desirable by the Corporation in connection with either (a) providing for a book-entry system with respect to a Series of Bonds or (b) discontinuing a book-entry system with respect to a Series of Bonds; or make any additions, deletions or modifications to the Resolution which, in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners.

The foregoing notwithstanding, for so long as the Credit Facility shall be in effect, no supplement, modification or amendment of the Resolution shall take effect without the consent of the Credit Issuer.

#### Events of Default and Termination

Each of the following events set forth in clauses (1) and (2) below constitutes an “Event of Default” and the following event set forth in clause (3) below constitutes an “Event of Termination” with respect to the Bonds: (1) payment of the principal or Redemption Price, if any, of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; (2) the Corporation shall fail or refuse to comply with the provisions of the Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Resolution or in any applicable Supplemental Resolution or the Bonds (other than any such default resulting in an Event of Default described in clause (1) above), and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the owners of not less than five percent (5%) in principal amount of the Outstanding Bonds; or (3) receipt by the Trustee of written notice from the Credit Issuer that an “Event of Default” has occurred under the Credit Agreement together with a written direction from the Credit Issuer to the Trustee to exercise the remedy set forth in clause (5) of the following paragraph, provided, that any notice from the Credit Issuer to the effect that the Credit Facility will not be reinstated in accordance with its terms shall constitute such a notice and direction..

#### Remedies

Upon the happening and continuance of an Event of Termination specified in the Resolution, the Trustee shall proceed, in its own name pursuant to the direction of the Credit Issuer as described in clause (3) of the preceding paragraph, to protect and enforce the remedy of the Bond owners and the Credit Issuer by the remedy set forth in clause (5); provided, however, that anything in the Resolution to the contrary notwithstanding, the Trustee shall enforce the remedy set forth in clause (5) immediately. Upon the happening and continuance of any Event of Default specified in clause (1) of the preceding paragraph, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (2) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject, in each such case, to the provisions of the Resolution, including the receipt of the written consent of the Credit Issuer, to protect and enforce the rights of the Bond owners by the remedies specified below for particular Events of Default, and such other of the remedies set forth in clauses (1) through (7) below, 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 Bond owners, including the right to require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to the Mortgage Loan (subject to the provisions of the Assignment) and to require the

Corporation to carry out any other covenants or agreements with such Bond owners, and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (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 the Bonds; (5) with the written consent of the Credit Issuer in the case of an Event of Default or upon the direction described in clause (3) of the preceding paragraph in the case of an Event of Termination, by immediately declaring all Bonds due and payable, whereupon, with respect to any affected 2003 Bonds, such Bonds shall be immediately redeemed, without premium, pursuant to the Resolution, provided that upon the happening and continuance of an Event of Default specified in clause (1) of the preceding paragraph, the Trustee shall declare all Bonds due and payable; (6) in the event that all Outstanding Bonds are declared due and payable, by selling the Mortgage Loan (subject to the provisions of the Assignment) and any Investment Securities securing such Bonds; or (7) by taking such action with respect to or in connection with the Credit Facility as the Trustee deems necessary to protect the interests of the owners of the 2003 Bonds.

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (5) of the preceding paragraph, the owners of the majority 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 Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction and provided, further, that notwithstanding the foregoing, the Credit Issuer shall be entitled to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution.

No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Resolution, or for the protection or enforcement of any right under the Resolution unless such owner shall have given to the Trustee written notice of the Event of Default or an Event of Termination or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or 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 Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the fees, costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing contained in the Resolution shall affect or impair the right of any Bond owner to enforce the payment of the principal of and interest on such owner's Bonds, or the obligation of the Corporation to pay the principal of and interest on each Bond to the owner thereof at the time and place in said Bond expressed.

Unless remedied or cured, the Trustee shall give to the Bond owners notice of each Event of Default or Event of Termination under the Resolution known to the Trustee within ninety (90) days after actual knowledge by the Trustee of the occurrence thereof. However, except in the case of default in the payment of the principal or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any

payment required to be made into the Bond Proceeds Account, the Trustee may withhold such notice if it determines that the withholding of such notice is in the interest of the Bond owners.

#### Priority of Payments After Event of Default or Event of Termination

In the event that upon the happening and continuance of any Event of Default or an Event of Termination the funds held by the Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of and interest then due on the Bonds affected, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of such Bonds and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied as follows:

(1) Unless the principal of all of such Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due 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 such Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

#### Rights of the Credit Issuer

Notwithstanding anything contained in the Resolution to the contrary, all rights of the Credit Issuer under the Resolution, including, but not limited to, the right to consent to, approve, initiate or direct extensions, remedies, waivers, actions and amendments thereunder shall cease, terminate and become null and void if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Issuer, provided, however, that notwithstanding any such Wrongful Dishonor, the Credit Issuer shall be entitled to receive notices pursuant to the Resolution in accordance with the terms of the Resolution.

## Payments Due on Days Not Business Days

If the date for making any payment of principal or Redemption Price of or interest on any of the Bonds shall be a day other than a Business Day, then payment of such principal or Redemption Price of or interest on such Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for such payment.

## **SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT**

The following is a summary of certain provisions of the Letter of Credit and the Credit Agreement to which reference is made for the complete provisions thereof. All terms used in this summary and not defined in this Official Statement have the respective meanings ascribed to such terms in the Credit Agreement.

### The Letter of Credit

The Letter of Credit will obligate the Bank to pay, by a specified time after presentation to the Bank by the Trustee of drawing certificates in accordance with the terms thereof, an aggregate amount not exceeding \$10,140,000 for the payment of the principal of the 2003 Bonds, but not any applicable redemption premium, and an aggregate amount of interest not exceeding \$284,000 (up to 193 days' of interest on the Series 2003 Bonds). The Trustee may and is to draw under the Letter of Credit not later than 4:00 p.m., New York City time, on the Business Day prior to the day on which the principal of or interest on the 2003 Bonds is due, the amount required for payment thereof.

Unless extended, the Letter of Credit will expire five years from the date of its issuance. The Bank has agreed that the Letter of Credit may be renewed for a further five year term every two years after the date of issuance upon the written request of the Mortgagor at least 180 days prior to such date and at the sole discretion of the Bank. If the Letter of Credit is not extended or replaced, the 2003 Bonds are to be mandatorily redeemed on any Business Day, which is not less than 15 days nor more than 30 days prior to the expiration date of the Letter of Credit. See "DESCRIPTION OF THE BONDS – Redemption of 2003 Bonds – Mandatory – Mandatory Redemption upon Expiration of the Credit Facility".

### The Credit Agreement

Issuance of the Letter of Credit. The Mortgagor requested the issuance by the Bank of the Letter of Credit to enhance the marketability of the 2003 Bonds by securing a source of funds to be devoted exclusively to the payment by the Trustee, when and as due, of the principal of and interest on the 2003 Bonds. The Bank has agreed to provide the Letter of Credit subject to certain terms and conditions as provided in the Credit Agreement. The Mortgagor and the Bank will enter into the Credit Agreement whereby the Mortgagor will make certain representations and will agree, among other things, to pay certain fees and expenses to the Bank, and to observe and perform certain covenants. If any of such representations are untrue or if the Mortgagor fails to comply with any of its obligations under the Credit Agreement, an event of default under the Credit Agreement may occur.



Reduction. Upon payment by the Bank of a drawing to pay principal on the 2003 Bonds (upon maturity, purchase, acceleration or redemption), the amount available to be drawn under the Letter of Credit for payment of principal on the 2003 Bonds shall be reduced automatically and permanently by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Bank. In addition, upon payment by the Bank of any such drawing to pay principal on the 2003 Bonds upon purchase, maturity, acceleration or redemption, the amount available to be drawn under the Letter of Credit for payment of interest on the 2003 Bonds shall be reduced automatically and permanently in an amount equal to one hundred and ninety three (193) days' interest on the amount of such principal reduction in the amount available to be drawn under the Letter of Credit for payment of principal on the 2003 Bonds.

Upon payment by the Bank of a drawing to pay interest on the 2003 Bonds, the amount available to be drawn under the Letter of Credit for the payment of interest on the 2003 Bonds shall be reduced automatically, subject to reinstatement as described below, by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Bank.

Reinstatement. The principal and interest components of the Letter of Credit will be subject to reduction and the interest component is subject to reinstatement in accordance with the terms of the Letter of Credit to reflect drawings made. Any reduction in the interest component of the Letter of Credit resulting from a draw with respect to interest on the 2003 Bonds, less the amount of such reduction attributable to payment upon redemption, purchase, acceleration or maturity of the related 2003 Bonds, will be reinstated automatically on the tenth (10th) day following such draw unless the Bank gives the Trustee notice by the close of business on the ninth (9th) day following the date on which the draft is honored that the interest portion of the Letter of Credit will not be reinstated. The interest portion of the Letter of Credit will not be reinstated if the Mortgagor is in default under the Credit Agreement.

#### Events of Default and Remedies

The occurrence of any of the following events is an "Event of Default" under the Credit Agreement:

(a) failure by the Mortgagor to reimburse or pay the Bank for any Drawing under the Letter of Credit on the date when due; provided, however, that such occurrence shall not be an Event of Default if (i) the failure of the Mortgagor to pay on the due date is attributable solely to administrative error on the part of the Mortgagor or the sending bank, (ii) the Mortgagor can demonstrate to the reasonable satisfaction of the Bank that funds were available to make the payment on the due date, and (iii) such payment is, in fact, made within one Business Day after written notice of such failure to the Mortgagor from the Bank (with interest and late fees as provided in the Credit Agreement); or

(b) except as provided in (a) above, failure by the Mortgagor to reimburse or pay the Bank for any amount payable pursuant to the Credit Agreement, any Collateral Document or under any Bond Document on the date when due and such failure continues for a period of five (5) or more days after written notice thereof to the Mortgagor from the Bank detailing the amount due; or

(c) the failure of the Mortgagor to observe or perform any of the covenants set forth on Schedule III attached to the Credit Agreement or the covenants set forth in Section 6.1(c), (i), (m), (r), (s), (u) or (v) of the Credit Agreement; or

(d) failure by the Mortgagor to observe or perform any other term, condition, covenant or agreement set forth in the Credit Agreement or the Collateral Documents to be observed or performed by the Mortgagor (and not constituting an Event of Default under any of the preceding or following provisions of Section VII of the Credit Agreement) and such failure continues for a period of thirty (30) or more days after (i) written notice thereof to the Mortgagor from the Bank or (ii) the Bank is notified of such failure, or should have been notified of such failure by the Mortgagor (and the Mortgagor shall have had knowledge of such Event of Default), pursuant to the terms of the Credit Agreement, any Bond Document or any Collateral Document; provided that if such default cannot reasonably be cured within such thirty (30) day period and the Mortgagor shall have commenced to cure such default within such thirty (30) day and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for such period of time as it shall require Mortgagor in the exercise of due diligence to cure such default, but in no event shall any such extension exceed one hundred and twenty (120) days; or

(e) any provision of the Credit Agreement creating or affecting material rights or remedies of the Bank shall for any reason cease to be valid and binding on the Mortgagor or in full force and effect or the Mortgagor shall so assert in writing; or

(f) the Mortgagor shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator or other similar official of itself or of all or a substantial part of its Property, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seek to have an order of relief entered with respect to it or seek to adjudicate it a bankrupt or insolvent, or seek reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) a case, proceeding or other action shall be commenced without the application or consent of the Mortgagor, in any court of competent jurisdiction, seeking the liquidation or readjustment of debts, the appointment of a trustee, receiver, custodian, liquidator or the like of the Mortgagor, or of all or any substantial part of its assets, or any similar action with respect to the Mortgagor, under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors and such case, proceeding or other action shall continue undismissed, or unstayed and in effect, for a period of ninety (90) days, or an order for relief against the Mortgagor shall be entered in any such involuntary case, proceeding or other action or the Mortgagor shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in any of the actions described above; or

(h) unless waived by the Bank, in writing, (i) any Event of Default, however defined, shall have occurred and be continuing under any Collateral Document or with respect to any obligation of the Mortgagor under any Bond Document, or (ii) the Mortgagor fails to comply in any material respect with any covenant or financial obligation set forth in the Collateral Documents or the Bond Documents, or (iii) any representation or warranty made or deemed made by the Mortgagor in the Collateral Documents or the Bond Documents or which is contained in any exhibit, schedule or any other document or other statement furnished at any time under or in connection with the Collateral Documents, the Bond Documents or any of the other documents, instruments or certificates furnished by the Mortgagor in connection therewith shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(i) a final judgment for an amount not otherwise covered by insurance, in excess of \$250,000 (which the Bank determines to not be covered by insurance or as to which the insurer has given notice of a denial of coverage) is rendered against the Mortgagor and, within ten (10) days after entry thereof, such judgment has not been discharged or execution thereof stayed pending appeal or if, within ten (10) days after the expiration of any such stay, such judgment has not been discharged; or

(j) at any time any Liabilities for borrowed money, other than the Liabilities created under the Credit Agreement, of the Mortgagor are not paid when due (whether at original maturity or as a result of acceleration by reason of the happening of an event of default, howsoever described, unless such event of default has been unconditionally waived for no consideration) and any originally stated applicable period of grace in respect thereof shall have expired, except in the event that the event of default has been objected to by the Mortgagor before a court or arbitrator with jurisdiction to hear or determine the validity of such dispute, and the Mortgagor shall present a bond in an amount reasonably satisfactory to the Bank to cover any such Liabilities; or

(k) any of the following events occurs or exists with respect to either the Mortgagor or any ERISA Affiliate: (i) any Prohibited Transaction involving any Plan; (ii) any Reportable Event with respect to any Plan; (iii) the filing under Section 4041 of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (iv) any event or circumstance that might constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; (v) complete or partial withdrawal under Section 4201 or 4202 of ERISA from a Multi-employer Plan or the reorganization, insolvency, or termination of any Multi-employer Plan; and in each case above, such event or condition, together with all other events or conditions, if any, could in the opinion of the Bank subject the Mortgagor to any tax, penalty, or other liability to a Plan, a Multi-employer Plan, the PBGC or otherwise (or any combination thereof) which in the aggregate would have a Material Adverse Effect; or

(l) the Mortgagor ceases or threatens to cease to carry on the business it carries on at the date hereof or any substantial part thereof; or

(m) any event occurs which has a Material Adverse Effect; or

(n) any Liens (other than Liens on individual items of fixtures, furnishings or equipment that have an aggregate value of not more than \$50,000) created by the Mortgage or any of the Collateral Documents shall for any reason cease to be valid, perfected, security interests or mortgage Liens of the required priority in favor of the Bank (except (i) where such cessation of perfection or priority is caused by the existence of Permitted Encumbrances or (ii) with respect to Financing Statements that have lapsed because the Bank has failed to file a continuation statement on time); or

(o) an “Event of Default” occurs under and as defined in the Loan Agreement or a default or event of default otherwise occurs under any other Bond Documents (subject to any applicable notice and cure provisions contained in the Bond Documents); or

(p) an Environmental Event shall have occurred that is not subject to a Good Faith Contest and in the reasonable opinion of the Bank has or is likely to have a Material Adverse Effect;

then, upon the occurrence of (A) any event specified in subsection (f) or (g) above: (i) automatically all amounts due under the Credit Agreement in respect of drawings made or available to be made under the Letter of Credit or otherwise shall immediately become due and payable, without the giving of notice of any kind, and (ii) the Bank may proceed to enforce all other remedies available to it under applicable law, and (B) any Event of Default (other than any event specified in subsection (f) or (g) above), the Bank, at its election, may: (i) declare all amounts due under the Credit Agreement in respect of drawings made under the Letter of Credit or otherwise to be immediately due and payable, whereupon the same shall immediately become due and payable, (ii) request in writing that the Trustee in accordance with the Resolution and the Loan Agreement redeem the Bonds or declare the principal of and interest on the Bonds to be due and payable, (iii) require the Mortgagor to deposit cash and/or securities with the Bank in an amount satisfactory to the Bank, and/or (iv) proceed to enforce all other remedies available to it under the Mortgage or the Collateral Documents and under applicable law. Except as expressly provided above, presentment, demand, protest and all other notices of any kind are expressly waived by the Mortgagor. In the event that any amount is deposited with the Bank pursuant to the clause (B) (ii) above, the yield on such amount shall not exceed the yield on the 2003 Bonds, computed in accordance with Treasury Regulation 1.148, unless the Mortgagor and the Bank receive an opinion of nationally recognized bond counsel selected by the Mortgagor and satisfactory to the Bank that the investment of such amount at a higher yield will not affect adversely the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the event of certain of the Events of Default listed above, the Bank may proceed to enforce all remedies available to it under the Credit Agreement, the Collateral Documents and applicable law including, but not limited to, those remedies set forth above.

### **AGREEMENT OF THE STATE**

Section 657 of the Act provides that the State agrees with the holders of obligations of the Corporation, including owners of the 2003 Bonds, that it will not limit or alter the rights vested by the Act in

the Corporation to fulfill the terms of any agreements made with the owners of the 2003 Bonds, or in any way impair the rights and remedies of such owners until the 2003 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners of the 2003 Bonds, are fully met and discharged.

## **TAX MATTERS**

### Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing statutes and court decisions, (i) interest on the 2003 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the 2003 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor and others, in connection with the 2003 Bonds and Bond Counsel has assumed compliance by the Corporation and such Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2003 Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under existing statutes, interest on the 2003 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2003 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action or circumstance, or change in law or interpretation, or otherwise. 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 2003 Bonds, or under state and local tax law.

### Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2003 Bonds for purposes of federal income taxation requires that at least 95 percent of the proceeds of the 2003 Bonds (net of amounts applied to fund a reasonably required reserve) be used to finance property owned and used by a 501(c)(3) organization or by a governmental unit in a manner that satisfies applicable federal tax law, and which meets (i) arbitrage restrictions on the use of proceeds of the issue and (ii) certain other requirements, some of which are summarized below.

The Code requires, among other things, that the property financed by a qualified 501(c)(3) bond (i) be at all times owned and used by a 501(c)(3) organization in good standing or a

governmental unit in a manner which does not generate unrelated business taxable income and (ii) be at all times operated by a 501(c)(3) organization in good standing or a governmental unit, or be operated by a private entity pursuant to a management contract satisfying the requirements of applicable federal law.

### Compliance and Additional Requirements

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2003 Bonds in order that interest on the 2003 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the proceeds of the 2003 Bonds, yield and other limits regarding investment of the proceeds of the 2003 Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the United States.

The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 2003 Bonds shall be excluded from gross income for federal income tax purposes. The Corporation has included provisions in the Resolution and its Federal Tax Regulatory Certificate and has established procedures in order to assure compliance with the requirements which must be met subsequent to the issuance of the 2003 Bonds. In connection with the issuance of the 2003 Bonds, the Corporation is to enter into an agreement with the Mortgagor of the Project to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the provisions or procedures or certifications set forth therein, the remedies available to the Corporation and/or Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the 2003 Bonds is payable.

### Certain Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2003 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a 2003 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own advisors regarding the federal tax consequences of owning and disposing of the 2003 Bonds.

Prospective owners of the 2003 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons such as corporations (including S corporations and foreign corporations), financial institutions, property, casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the 2003 Bonds

must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### Legislation

Legislation affecting municipal bonds is frequently considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2003 Bonds will not have an adverse effect on the tax-exempt status or market price of the 2003 Bonds.

## **NO LITIGATION**

### *The Corporation*

At the time of delivery and payment for the 2003 Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation substantially to the effect that there is no litigation of any nature now pending or threatened against, or adversely affecting, the Corporation of which the Corporation has notice, or to the knowledge of the Corporation, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2003 Bonds, or in any way contesting or affecting the validity of the 2003 Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the financing of the Mortgage Loan or the pledge or application of any moneys or security provided for the payment of the 2003 Bonds or the existence or powers of the Corporation, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto.

### *The Mortgagor*

At the time of delivery and payment for the 2003 Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of the Mortgagor substantially to the effect that there is no litigation of any nature now pending, or to the knowledge of the Mortgagor, threatened against, or adversely affecting, the Mortgagor seeking to restrain or enjoin the sale, execution or delivery of the 2003 Bonds, or in any way contesting or affecting the validity of the 2003 Bonds, any proceedings of the Mortgagor taken with respect to the 2003 Bonds, the existence or powers of the Mortgagor, or the application of any moneys or security provided for the payment of the 2003 Bonds, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto.

## **CERTAIN LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the 2003 Bonds by the Corporation are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its Counsel, Harris Beach LLP, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Special Counsels, Taylor, Colicchio & Silverman, LLP, New York, New York and Levy & Pellegrino, LLP, New York, New York. Certain legal matters will be passed upon for the Corporation by its Deputy General Counsel. Certain legal matters will be passed upon for the Bank by its Counsel, Windels Marx Lane & Mittendorf, LLP, New York, New York, and by its Irish Legal Counsel.

## **LEGALITY OF 2003 BONDS FOR INVESTMENT AND DEPOSIT**

Under the provisions of Section 662 of the Act, the 2003 Bonds are made securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. The 2003 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

## **RATING**

Moody's Investors Service, Inc. has assigned to the 2003 Bonds a rating of "Aa3". Such rating reflects only the view of such organization and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the 2003 Bonds.

## **CONTINUING DISCLOSURE UNDER RULE 15C2-12**

In order to assist the Underwriter in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Corporation, the Mortgagor and the Trustee will enter into a written agreement for the benefit of the owners of the 2003 Bonds (the "Disclosure Agreement") to provide continuing disclosure. The Mortgagor will undertake to provide to the Corporation on an annual basis certain financial and operating data, referred to herein as "Annual Information," including the Mortgagor's annual financial statements, on or before 120 days after the end of the Mortgagor's fiscal year, commencing December 31, 2003, for delivery by the Corporation to each nationally recognized municipal securities information repository designated by the Securities and Exchange Commission (the "Repository"), and if and when one is established, a state information depository for the State of New York (the "State Information Depository").

If, and only if, and to the extent that it receives the Annual Information, including the annual financial statements described above from the Mortgagor, the Corporation will undertake for the benefit of the owners of the 2003 Bonds in the Disclosure Agreement, on behalf of and as agent for the Mortgagor, to provide such information and financial statements, on or before 150 days after the end of each such fiscal year, commencing with the fiscal year in which the Mortgage Loan is made. In addition, the Corporation will undertake in the Disclosure Agreement, for the benefit of the owners of the 2003 Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board ("MSRB"), and to the State Information Depository, in a timely manner, the notices required to be provided by Rule 15c2-12



promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and described below.

The Annual Information concerning the Mortgagor shall consist of the following: (1) annual financial statements, prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards; provided however, that if audited financial statements are not available in accordance with the dates described above, unaudited financial statements shall be provided and such audited financial statements shall be delivered to the Corporation for delivery to each Repository and to the State Information Depository within 30 days after they become available; and (2) financial and operating data of the type set forth herein under the headings "Utilization", "Summary Statement of Activities", "Sources of Revenues", and "Employees" in APPENDIX C-- THE ANIMAL MEDICAL CENTER (in each case, only with respect to each full fiscal year period and not with respect to any interim period); together with such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data concerning the Mortgagor and in judging the financial information about the Mortgagor.

The notices required to be provided by Rule 15c2-12, which the Corporation will undertake to provide as described above, include notices of any of the following events with respect to the 2003 Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the 2003 Bonds; (7) modifications to the rights of owners of 2003 Bonds; (8) 2003 Bond calls, other than mandatory sinking fund redemptions; (9) defeasance of the 2003 Bonds; (10) the release, substitution, or sale of property securing repayment of the 2003 Bonds; and (11) rating changes; and to each Repository or to the MSRB and to the State Information Depository, in a timely manner, notice of a failure by the Mortgagor to provide Annual Information required by the Disclosure Agreement.

If any party to the Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any owner of the 2003 Bonds may enforce, for the equal benefit and protection of all owners similarly situated, by mandamus or other suit or proceeding at law or in equity, the Disclosure Agreement against such party and may compel such party directly or through any of its officers, agents or employees to perform and carry out their 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, however, that the rights of any owner of 2003 Bonds to challenge the adequacy of the information provided by the Mortgagor are conditioned upon the provisions of the Resolution with respect to the enforcement of remedies of owners of the 2003 Bonds upon the occurrence of an Event of Default described in the Resolution. A breach or default under the Disclosure Agreement shall not constitute an Event of Default under the Resolution. 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 2003 Bonds are third party beneficiaries of the Disclosure Agreement and, as such, are deemed to be owners of the 2003 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 2003 Bonds under certain circumstances set forth in the Disclosure Agreement.

Copies of the Disclosure Agreement when executed and delivered by the parties thereto on the date of the initial delivery of the 2003 Bonds will be on file at the office of the Corporation.

From time to time the Corporation has entered into other disclosure agreements with regard to bonds that were not issued under the Resolution. The Corporation has fully complied with such disclosure agreements to date except with respect to one financing. In that instance, the underlying obligor failed to provide certain of the information required by the disclosure agreement to the Corporation and the Corporation did not provide notice of such failure as required by the disclosure agreement. Subsequently, the Corporation (i) provided notice of the failure of such underlying obligor to provide such information as required by the disclosure agreement and (ii) provided such information as required by the disclosure agreement promptly upon receipt by the Corporation.

### **FURTHER INFORMATION**

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the 2003 Bonds that there has been no change in the affairs of the Corporation from the date hereof. Pursuant to the Resolution, the Corporation has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the Trustee and the owners of not less than 5% of the 2003 Bonds issued thereunder during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 2003 Bond.

Additional information, including the annual report of the Corporation, may be obtained from the undersigned at 110 William Street, New York, New York 10038, (212) 227-5500 or through its internet address: [www.nychdc.org](http://www.nychdc.org).

### **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinions, 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 an agreement or contract between the Corporation and the purchasers or owners of any 2003 Bonds.

This Official Statement is submitted in connection with the sale of the 2003 Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement and the distribution thereof have been duly authorized and approved by the Corporation and the Official Statement has been duly executed and delivered on behalf of the Corporation.

**NEW YORK CITY HOUSING  
DEVELOPMENT CORPORATION**

By:           /s/ William W. Traylor            
Acting President

Dated: September 18, 2003

**DEFINITIONS OF CERTAIN TERMS**

This Appendix A does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution, copies of which may be obtained from the Corporation. The following terms shall have the following meanings unless the context shall clearly indicate otherwise.

“Account” means one of the special accounts (other than the Rebate Fund) created and established pursuant to the Resolution.

“Accountant” means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by the Corporation and satisfactory to the Trustee and may be the accountant or firm of accountants who regularly audit the books and accounts of the Corporation.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Mortgagor, the Corporation or the Credit Issuer, as applicable, under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

“Additional Bonds” means Bonds, other than the 2003 Bonds, authorized pursuant to the Resolution.

“Administrative Fee” means the servicing fee of the Corporation in the amount set forth in the Financing Commitment and Agreement dated August 1, 2003, between the Corporation and the Mortgagor, plus the amount specified in a Supplemental Resolution in connection with the issuance of Additional Bonds.

“Alternate Security” means any instrument in effect and purpose similar to the Letter of Credit, including, but not limited to, a letter of credit, guaranty, standby loan commitment, bond or mortgage insurance policy, standby purchase agreement, collateral agreement or surety bond, or any combination thereof, (i) approved by the Corporation and delivered to the Trustee for the benefit of the owners of the Bonds (except that a mortgage insurance policy may be delivered to the Corporation), (ii) replacing any existing Credit Facility, (iii) dated as of a date not later than the expiration date of the Credit Facility for which the same is to be substituted, (iv) which shall expire not earlier than a date which is 15 days after an Interest Payment Date, and (v) issued on substantially similar terms and conditions with respect to the rights of the owners of the Bonds as the then existing Credit Facility, provided that the stated amount of the Alternate Security shall equal the sum of (a) the aggregate principal amount of Bonds at the time Outstanding, plus (b) such amount of interest as the Corporation shall determine based on then current rating agency standards.

“Assignment” means the Assignment and Servicing Agreement, with respect to the Mortgage Loan, among the Corporation, the Trustee, the Credit Issuer and the Mortgagor, as the same may be amended or supplemented from time to time.

“Authorized Officer” means (a) when used with respect to the Corporation, the Chairperson, Vice-Chairperson, President or any Senior Vice President of the Corporation and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Corporation then authorized to perform such act or discharge such duty; (b) when used with respect to the Mortgagor, the President of the Mortgagor and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Mortgagor then authorized to perform such act or discharge such duty; (c) when used with respect to the Credit Issuer, any Senior Vice President or Vice President of the Credit Issuer and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Credit Issuer then authorized to perform such act or discharge such duty; and (d) when used with respect to the Trustee, any Vice President or corporate trust administrator of the Trustee, and, in the case of any act to be performed or duty to be discharged, any other officer or employee of the Trustee then authorized to perform such act or discharge such duty.

“Available Moneys” means, during the term of any Credit Facility, (i) moneys drawn under such Credit Facility, or (ii) moneys deposited into the Accounts established under the Resolution or moneys deposited directly by the Mortgagor with the Trustee, which moneys, in either case, have been on deposit with the Trustee for at least 123 days during and prior to which no Act of Bankruptcy with respect to the Mortgagor or the Corporation shall have occurred; provided, however, that if the Trustee shall have received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee to the effect that payments made to Bond owners with moneys on deposit with the Trustee for a number of days less than that set forth above during which no Act of Bankruptcy with respect to the Mortgagor or the Corporation shall have occurred would not constitute an avoidable preference under Section 547 of the Bankruptcy Reform Act of 1978, as amended, then the number of days specified in such opinion shall be substituted for the 123 days in this definition, or (iii) the proceeds from investment of moneys qualifying as Available Moneys under clause (i) or (ii) above, or (iv) the proceeds of Additional Bonds; provided, however, that with respect to the proceeds of Additional Bonds, the Trustee shall have received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee to the effect that payments made to Bond owners with such proceeds would not constitute an avoidable preference under Section 547 of the Bankruptcy Reform Act of 1978, as amended.

“Bond” means one of the bonds to be authenticated and delivered pursuant to the Resolution.

“Bond Counsel” means an 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 Corporation after consultation with the Credit Issuer and the Mortgagor, and satisfactory to the Trustee.

“Bond Counsel’s Opinion” means an opinion signed by Bond Counsel.

“Bond owner” or “owner” or words of similar import, when used with reference to a Bond, means any person who shall be the registered owner of any Outstanding Bond.

“Bond Proceeds Account” means the Bond Proceeds Account established pursuant to the Resolution.

“Bond Year” means a twelve-month period ending on the first day of September of any year.

“Business Day” means any day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York, or the city or cities in which the Principal Office of the Trustee or the U.S. headquarters office of the Credit Issuer to which draws on the Credit Facility are presented is located are required or authorized by law to close, (c) a day on which the New York Stock Exchange is closed, or (d) so long as the 2003 Bonds are held in book-entry form, a day on which DTC is closed.

“Certificate” means (a) a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Resolution or (b) the report of an accountant as to audit or other procedures called for by the Resolution.

“City” means The City of New York, a municipal corporation organized and existing under and pursuant to the laws of the State.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Corporation” means the New York City Housing Development Corporation, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Corporation.

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale and issuance of Bonds, including but not limited to underwriting discount or fee, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and the Credit Issuer, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit rating(s), fees and charges for preparation, execution, transportation and safekeeping of Bonds, the financing fee of the Corporation, and any other cost, charge or fee in connection with the original issuance of Bonds.

“Credit Agreement” means the agreement between the Mortgagor and the Credit Issuer (and may include other parties), providing for the issuance of the Credit Facility.

“Credit Facility” means the Letter of Credit or Alternate Security, as the case may be, then providing for the timely payment of the principal of and interest on the Bonds.

“Credit Facility Documents” means, collectively, the Credit Agreement, the Loan Agreement, the Mortgage Note, the Mortgage and all other instruments of any nature whatsoever now or hereafter executed and delivered in connection with the Credit Facility.

“Credit Facility Payments” means amounts obtained under a Credit Facility with respect to the Bonds including, but not limited to, amounts drawn under the Letter of Credit.

“Credit Issuer” means the issuer of or obligor under the Credit Facility; provided, however, that if, pursuant to the Credit Agreement, the issuer of or obligor under the Credit Facility shall have appointed an

agent on its behalf (which agent may, but need not, act on behalf of other parties as well) and given notice to the Corporation and the Trustee of such appointment, references in the Resolution to the Credit Issuer shall be deemed to refer to said agent, except that with respect to the issuance of such Credit Facility and the obtaining of amounts thereunder, references in the Resolution to the Credit Issuer shall be deemed to refer to such issuer or obligor under such Credit Facility.

“Debt Service” means, with respect to any particular Bond Year, an amount equal to the sum of (i) all interest payable on Outstanding Bonds during such Bond Year, plus (ii) any Principal Installment of such Bonds payable during such Bond Year.

“DTC” means the Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors or assigns.

“Escrow Payments” means and includes all amounts whether paid directly to the Corporation, to its assignee of the Mortgage Loan, or to the servicer of the Mortgage Loan representing payments to obtain or maintain mortgage insurance or any subsidy with respect to the Mortgage Loan or the mortgaged premises or payments in connection with real estate taxes, assessments, water charges, sewer rents, fire or other insurance, replacement or operating reserves, the Administrative Fee of the Corporation or other like payments in connection therewith.

“Event of Default” means any of the events specified in the Resolution as an Event of Default.

“Event of Taxability” means the event specified in the Credit Agreement as an Event of Taxability.

“Event of Termination” means the event specified in the Resolution as an Event of Termination.

“Government Obligations” means (i) direct obligations of or obligations guaranteed by the United States of America, including, but not limited to, United States Treasury Obligations, Separate Trading of Registered Interest and Principal of Securities (STRIPS) and Coupons Under Book-Entry Safekeeping (CUBES), provided the underlying United States Treasury Obligation is not callable prior to maturity, and (ii) obligations of the Resolution Funding Corporation, including, but not limited to, obligations of the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

“Interest Payment Date” means any date upon which interest on the Bonds is due and payable in accordance with their terms.

“Investment Securities” means and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the Corporation under the Act, including the amendments thereto hereafter made, or under other applicable law:

(1) Government Obligations;

(2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit System Banks Consolidated Obligations, Banks for Cooperatives, Tennessee Valley Authority, Washington

Metropolitan Area Transportation Authority, United States Postal Service, Farmers' Home Administration and Export-Import Bank of the United States;

(3) any bond, debenture, note, participation certificate or other similar obligation issued by any Federal agency and backed by the full faith and credit of the United States of America;

(4) any other obligation of the United States of America or any Federal agencies which may be purchased by New York State Savings Banks;

(5) deposits in interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements (i) secured by any of the obligations described above, (ii) fully insured by the Federal Deposit Insurance Corporation, or (iii) made with banking institutions, or their parents which either (a) have unsecured debt rated in one of the three highest rating categories of a nationally recognized rating service or (b) are deemed by a nationally recognized rating service to be an institution rated in one of the three highest rating categories of such rating service;

(6) any participation certificate of the Federal Home Loan Mortgage Corporation and any mortgage-backed securities of the Federal National Mortgage Association;

(7) short-term corporate obligations, known as Commercial Paper, with a maturity of up to ninety days which are issued by corporations that are deemed by a nationally recognized rating service to be in the highest rating category of such rating service;

(8) obligations of the City and State of New York;

(9) obligations of the New York City Municipal Water Finance Authority;

(10) obligations, the principal and interest of which, are guaranteed by the City or State of New York;

(11) obligations in which the Comptroller of the State of New York is authorized to invest in as specified in section ninety-eight of the State Finance Law, as amended from time to time; and

(12) any other investment permitted under the Corporation's investment guidelines adopted August 14, 1984, as amended from time to time.

"Lender" or "Lenders" means Allied Irish Banks, p.l.c., acting through its New York Branch, and the lenders who from time to time become lenders pursuant to the Credit Agreement.

"Letter of Credit" means the irrevocable direct-pay letter of credit issued by Allied Irish Banks, p.l.c., acting through its New York Branch, in favor of the Trustee, securing the 2003 Bonds on their initial issuance, or the Substitute Letter of Credit, if any.

"Letter of Credit Payments Sub-Account" means the Letter of Credit Payments Sub-Account established pursuant to the Resolution.



“Loan Agreement” means the Loan Agreement, dated as of the date of initial issuance of the 2003 Bonds, between the Corporation and the Mortgagor, with respect to the Mortgage Loan, as the same may be amended or supplemented from time to time.

“Mortgage” means, collectively, the mortgages or other instruments securing the Mortgage Loan, as the same may be amended or supplemented from time to time.

“Mortgage Documents” means, collectively, (a) the Mortgage and (b) the Mortgage Note, each dated the date of initial issuance of the 2003 Bonds.

“Mortgage Loan” means the interest-bearing loan, evidenced by the Mortgage Note, to be made by the Corporation to the Mortgagor pursuant to the Loan Agreement, as the same may be modified from time to time.

“Mortgage Note” means, collectively, the note or notes of the Mortgagor evidencing the obligation to repay the Mortgage Loan, as the same may be amended or supplemented from time to time.

“Mortgagor” means The Animal Medical Center, a not-for-profit corporation organized and existing under and by virtue of the laws of the State of New York, which is the mortgagor with respect to the Mortgage Loan and the owner of the Project, and its successors and permitted transferees.

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

(1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Bond (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in a redemption account thereunder either:

(a) Available Moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price thereof, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

(b) obligations, as described in Section 12.1(B) of the Resolution, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment date or Redemption Date, which payment date or Redemption Date shall be specified in irrevocable instructions to the Trustee to apply such moneys to such payment or redemption on the date so specified; or

(c) any combination of (a) and (b) above;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and

(4) any Bond deemed to have been paid as provided in the Resolution.

“Permitted Encumbrances” means such liens, encumbrances, reservations, easements, rights-of-way and other clouds on title as do not materially impair the use or value of the premises for the intended purposes.

“Pledged Receipts” means (i) the scheduled or other payments required by the Mortgage Loan and paid to or to be paid to the Corporation from any source, including both timely and delinquent payments, (ii) accrued interest, if any, received upon the initial issuance of the Bonds and (iii) all income earned or gain realized in excess of losses suffered on any investment or deposit of moneys in the Accounts established and maintained pursuant to the Resolution, but shall not mean or include amounts required to be deposited into the Rebate Fund, Recoveries of Principal, any Escrow Payments, late charges or any amount entitled to be retained by the servicer (which may include the Corporation) of the Mortgage Loan, as administrative, financing, extension or settlement fees.

“Principal Installment” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Payments payable before such future date plus (ii) the unsatisfied balance, determined as provided in the Resolution, of any Sinking Fund Payments due on such certain future date, together with the aggregate amount of the premiums, if any, applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance.

“Principal Office”, when used with respect to the Trustee, shall mean One Penn Plaza, Suite 1414, New York, New York 10119, Attention: Corporate Trust Group, or such other offices designated to the Corporation in writing by the Trustee.

“Project” means the multi-family rental housing development, located at 320 East 53rd Street in the Borough of Manhattan, County of New York, City and State of New York.

“Rebate Amount” means the amount, if any, required to be deposited in the Rebate Fund in order to comply with the tax covenants contained in the Resolution.

“Rebate Fund” means the Rebate Fund established pursuant to the Resolution.

“Record Date” means that day which is the fifteenth (15<sup>th</sup>) day of the month preceding any Interest Payment Date.

“Recoveries of Principal” means all amounts received by the Corporation or the Trustee as or representing a recovery of the principal amount disbursed by the Trustee in connection with the Mortgage Loan, including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Mortgage Loan, at the option of the Mortgagor; (ii) the sale,

assignment, endorsement or other disposition of the Mortgage Loan or Mortgage Documents other than the assignment by the Corporation effected by the Assignment; (iii) the acceleration of payments due under the Mortgage Loan or the remedial proceedings taken in the event of default on the Mortgage Loan or Mortgage; (iv) proceeds of any insurance award resulting from the damage or destruction of the Project which are to be applied to payment of the Mortgage Note pursuant to the Mortgage; or (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Project or any portion thereof, which proceeds are to be applied to payment of the Mortgage Note pursuant to the Mortgage.

“Redemption Account” means the Redemption Account established pursuant to the Resolution.

“Redemption Date” means the date or dates upon which Bonds are to be called for redemption pursuant to the Resolution.

“Redemption Price” means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

“Regulatory Agreement” means the Regulatory Agreement, dated as of the date of initial issuance of the 2003 Bonds, by and between the Corporation and the Mortgagor, as the same may be amended, restated or supplemented from time to time.

“Resolution” means the Residential Revenue Bonds (The Animal Medical Center) Bond Resolution adopted by the Corporation on July 21, 2003 and any amendments or supplements made in accordance with its terms.

“Revenue Account” means the Revenue Account established pursuant to the Resolution.

“Revenues” means the Pledged Receipts and Recoveries of Principal.

“Series” means the 2003 Bonds or any series of Additional Bonds.

“Sinking Fund Payment” means, with respect to a particular Series, as of any particular date of calculation, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Corporation by reason of the maturity of a Bond or by call for redemption at the election of the Corporation.

“State” means the State of New York.

“Substitute Letter of Credit” means an irrevocable letter of credit delivered to the Trustee for the benefit of the owners of the Bonds (i) issued by a bank approved by the Corporation, provided that the approval by the Corporation shall not be unreasonably withheld, (ii) replacing any existing Letter of Credit, (iii) dated as of a date not later than the expiration date of the Letter of Credit for which the same is to be substituted, (iv) which shall expire on a date not earlier than 15 days after an Interest Payment Date for the Bonds, (v) issued on substantially identical terms and conditions with respect to the rights of the owners of

the Bonds as the then existing Letter of Credit with respect to the Bonds, except that the stated amount of the Substitute Letter of Credit shall equal the sum of (a) the aggregate principal amount of Bonds at the time Outstanding, plus (b) such amount of interest as the Corporation shall determine based on then current rating agency standards.

“Supplemental Resolution” means any resolution supplemental to or amendatory of the Resolution, adopted by the Corporation and effective in accordance with the Resolution.

“Trustee” means the trustee designated as Trustee in the Resolution and its successor or successors and any other person at any time substituted in its place pursuant to the Resolution.

“2003 Bonds” means the 2003 Series A Bonds authorized to be issued pursuant to the Resolution.

“Wrongful Dishonor” means (i) an uncured and willful default by the Credit Issuer, or (ii) an uncured default resulting from the gross negligence of the Credit Issuer, in each case, of its obligations to honor a drawing as required pursuant to the terms of the Credit Facility and the Credit Agreement.

## APPENDIX B

### OTHER ACTIVITIES OF THE CORPORATION

The Corporation is engaged in the various activities and programs described below.

**I. BOND PROGRAMS.** The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. As of July 31, 2003, the Corporation had bonds and notes outstanding in the aggregate principal amount of approximately \$3,180,342,261.32 for these purposes. All outstanding principal amounts of bonds and notes listed below are as of July 31, 2003 unless otherwise indicated. All of the projects financed by the Corporation have been completed and are in operation except where indicated below. None of the projects described below provide security under the Resolution. In addition, none of the bonds described below is secured by the Resolution.

(A) Multi-Family Program. The Corporation established its Multi-Family Program to develop privately owned multi-family rental housing, all or a portion of which is reserved for low income tenants.

(1) Rental Projects; Letter of Credit Enhanced: Under its Multi-Family Program, the Corporation has issued tax-exempt and/or taxable bonds to finance a number of mixed income projects which bonds are secured by letters of credit issued by rated commercial lending institutions. On December 18, 2001, the Corporation issued its \$130,000,000 Multi-Family Mortgage Revenue Bonds (Related-West 55th Street Development), 2001 Series A and 2001 Series B, all of which are outstanding, to finance a 371-unit project in Manhattan which is presently under construction. On January 4, 2002, the Corporation issued its \$44,000,000 Multi-Family Mortgage Revenue Bonds (Ninth Avenue Development), 2002 Series A, all of which are outstanding, to finance a 259-unit development in Manhattan which is presently under construction. On May 15, 2002 the Corporation issued its \$85,800,000 Multi-Family Rental Housing Revenue Bonds (Chelsea Centro), 2002 Series A, of which \$86,000,000 is outstanding, to refinance a 356-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On December 18, 2002, the Corporation issued its \$65,000,000 Multi-Family Mortgage Revenue Bonds (400 West 55<sup>th</sup> Street Development), 2002 Series A and 2002 Series B, all of which are outstanding, to finance a 149-unit development in Manhattan which is presently under construction.

Under its Multi-Family Program, the Corporation has issued tax-exempt bonds to finance a number of entirely low income projects, which bonds are secured by letters of credit issued by rated commercial lending institutions. On June 28, 2001, the Corporation issued its \$7,000,000 Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 Series A, all of which are outstanding, to finance a 106-unit development in Bronx County. On November 21, 2001, the Corporation issued its \$7,500,000 Multi-Family Mortgage Revenue Bonds (Fountains at Spring Creek Project), 2001 Series A, all of which are outstanding, to finance a 102-unit development located in Brooklyn. On November 21, 2001, the Corporation issued its \$3,700,000 Multi-Family Mortgage Revenue Bonds (The Lafayette Project), 2001 Series A, all of which are outstanding, to finance a 47-unit development in Manhattan. On October 3, 2002, the Corporation issued its \$9,200,000 Multi-Family Mortgage Revenue Bonds (Nelson Avenue

Apartments), 2002 Series A, all of which are outstanding, to finance a 115-unit development in Bronx County. All of these projects are presently under, or have recently completed, construction.

(2) Rental Projects; Fannie Mae Enhanced: Pursuant to its Multi-Family Program, the Corporation has issued tax-exempt and/or taxable bonds which are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under a Collateral Agreement. On March 29, 1995, the Corporation issued its \$23,570,000 Multi-Family Mortgage Revenue Bonds (Columbus Apartments Project), 1995 Series A, of which \$21,870,000 is outstanding, to refinance a 166-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$13,775,000 Multi-Family Rental Housing Revenue Bonds (Related-Columbus Green), 1997 Series A, all of which are outstanding, to refinance a 95-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$66,800,000 Multi-Family Rental Housing Revenue Bonds (Related-Carnegie Park), 1997 Series A, all of which are outstanding, to refinance a 461-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$104,600,000 Multi-Family Rental Housing Revenue Bonds (Related-Monterey), 1997 Series A, all of which are outstanding, to refinance a 522-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its \$55,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Tribeca Tower), 1997 Series A, all of which are outstanding, to refinance a 440-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On September 18, 1998, the Corporation issued its \$17,875,000 Multi-Family Rental Housing Revenue Bonds (100 Jane Street Development), 1998 Series A and 1998 Series B, of which \$16,875,000 is outstanding, to refinance a 148-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 22, 1998, the Corporation issued its \$37,315,000 Multi-Family Rental Housing Revenue Bonds (Parkgate Development), 1998 Series A and 1998 Series B, of which \$36,500,000 is outstanding, to refinance a 207-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On November 19, 1998, the Corporation issued its \$150,000,000 Multi-Family Rental Housing Revenue Bonds (One Columbus Place Development), 1998 Series A and 1998 Series B, of which \$144,500,000 is outstanding, to refinance a 729-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On April 6, 1999, the Corporation issued its \$55,820,000 Multi-Family Rental Housing Revenue Bonds (West 43rd Street Development), 1999 Series A and 1999 Series B, of which \$54,020,000 is outstanding, to refinance a 375-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On June 18, 1999, the Corporation issued its \$57,000,000 Multi-Family Rental Housing Revenue Bonds (Brittany Development), 1999 Series A, all of which are outstanding, to refinance a 272-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development.

In addition, the Corporation has issued tax-exempt and/or taxable bonds which are secured by a Direct Pay Credit Enhancement Instrument issued by Fannie Mae. On March 2, 2000, the Corporation issued its \$53,000,000 Multi-Family Rental Housing Revenue Bonds (Related-West 89th Street Development), 2000 Series A, all of which are outstanding, to refinance a 265-unit building in Manhattan

and to refund bonds previously issued by the Corporation to finance this development. On July 11, 2001, the Corporation issued its \$22,500,000 Multi-Family Mortgage Revenue Bonds (West 48th Street Development), 2001 Series A and 2001 Series B, all of which are outstanding, to finance a 109-unit facility in Manhattan which is presently under construction. On November 1, 2001, the Corporation issued its \$91,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Lyric Development), 2001 Series A and 2001 Series B, of which \$90,700,000 is outstanding, to refinance a 285-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On July 12, 2002, the Corporation issued its \$22,200,000 Multi-Family Rental Housing Revenue Bonds (James Tower Development), 2002 Series A, of which \$22,060,000 is outstanding, to refinance a 201-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On August 22, 2002, the Corporation issued its \$60,400,000 Multi-Family Rental Housing Revenue Bonds (The Foundry), 2002 Series A and 2002 Series B, all of which are outstanding, to refinance a 222-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On November 13, 2002, the Corporation issued its \$44,000,000 Multi-Family Mortgage Revenue Bonds (First Avenue Development), 2002 Series A, all of which are outstanding, to finance a 231-unit development in Manhattan which is presently under construction. On April 10, 2003, the Corporation issued its \$56,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Sierra Development), 2003 Series A, all of which are outstanding, to refinance a 212-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project.

(3) Rental Projects; Freddie Mac Enhanced: Under its Multi-Family Program, the Corporation has issued tax-exempt bonds which are secured by a Direct Pay Credit Enhancement Agreement with Federal Home Loan Mortgage Corporation. On June 7, 2000, the Corporation issued its \$24,200,000 Multi-Family Rental Housing Revenue Bonds (Westmont Apartments), 2000 Series A, all of which are outstanding, to refinance a 163-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On March 21, 2001, the Corporation issued its \$10,800,000 Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments), 2001 Series A, all of which are outstanding, to refinance a 296-unit development in Queens and to refund bonds previously issued by the Corporation to finance this development.

(4) Rental Projects; FHA Enhanced: Under its Multi-Family Program, the Corporation has issued bonds to finance a number of mixed income projects with mortgages insured by the Federal Housing Administration ("FHA"). See "FHA Insured Mortgage Loan Programs" below.

(5) Rental Project; REMIC Enhanced: Under its Multi-Family Program, the Corporation has issued tax-exempt bonds to finance a mortgage loan for a residential facility, which mortgage loan is insured by the New York City Residential Mortgage Insurance Corporation ("REMIC"), which is a subsidiary of the Corporation. On April 26, 1996, the Corporation issued its \$5,620,000 Multi-Family Mortgage Revenue Bonds (Barclay Avenue Development), 1996 Series A, of which \$5,365,000 is outstanding, to fund a REMIC-insured permanent mortgage loan for a 66-unit building located in Queens County.

(6) Hospital Staff Housing: Pursuant to its Multi-Family Program, the Corporation has provided financing for residential facilities for hospital staff. A multi-purpose facility for the benefit of The Society of the New York Hospital, located on the east side of Manhattan, was financed in 1985 by the Corporation.

On April 17, 1998, the Corporation issued its \$103,300,000 MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties East, Inc. Project), 1998 Series 1, of which \$96,200,000 is outstanding, in order to refinance its outstanding bonds for this multipurpose facility. The payment of principal of and interest on the 1998 Series 1 Bonds is guaranteed by a municipal bond guaranty insurance policy issued by MBIA Insurance Corporation.

On March 19, 1993, the Corporation issued its \$36,600,000 Residential Revenue Bonds (East 17th Street Properties, Inc.), 1993 Series A, of which \$31,800,000 is outstanding, to provide a mortgage loan to East 17th Street Properties, Inc. (an affiliate of Beth Israel Medical Center) for two residential housing facilities located in Manhattan. These bonds are secured by a letter of credit issued by a rated commercial lending institution. On June 17, 1993, the Corporation issued its \$8,400,000 Residential Revenue Bonds (Montefiore Medical Center Project), 1993 Series A, of which \$8,300,000 is outstanding, to finance a mortgage loan made to Montefiore Medical Center for a residential housing facility in Bronx County. These bonds are secured by a letter of credit issued by a rated commercial lending institution.

(7) Cooperative Housing: Pursuant to the Corporation's Multi-Family Program, the Corporation has issued tax-exempt obligations in order to fund underlying mortgage loans to cooperative housing developments. On April 28, 1994, the Corporation issued its \$12,330,000 Mortgage Revenue Bonds (Maple Court Cooperative), 1994 Series A, of which \$11,370,000 is outstanding, to fund an underlying permanent mortgage loan for a 134-unit cooperative located in Manhattan. On December 19, 1996, the Corporation issued its \$16,750,000 Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, of which \$15,990,000 is outstanding, to fund an underlying permanent mortgage loan for a 154-unit cooperative located in Manhattan. Each mortgage loan is insured by the State of New York Mortgage Agency ("SONYMA").

(8) Senior Housing: Pursuant to its Multi-Family Program, the Corporation has issued tax-exempt obligations to finance a mortgage loan for low-income senior housing. On December 20, 2000, the Corporation issued its \$6,100,000 Multi-Family Mortgage Revenue Bonds (55 Pierrepont Development), 2000 Series A, of which \$5,500,000 is outstanding, to fund a mortgage loan to acquire a 189-unit senior rental housing facility located in Brooklyn. These bonds are secured by a letter of credit issued by a rated commercial lending institution.

(B) FHA Insured Mortgage Loan Programs. The Corporation is empowered to make loans secured by mortgages insured by the federal government for new construction and rehabilitation of multiple dwellings.

(1) On January 15, 1993, the Corporation issued its \$164,645,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1993 Series A and 1993 Series B, of which \$146,945,000 of the 1993 Series A bonds (and none of the 1993 Series B bonds) is outstanding, to acquire a defaulted FHA-insured mortgage loan for the Manhattan Park Project (also known as Roosevelt Island Northtown Phase II) from the United States Department of Housing and Urban Development. On January 17, 1995, the Corporation issued its taxable \$13,910,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1995 Series A, of which \$4,925,000 is outstanding, to refund a like amount of the 1993 Series B bonds. This 1,107-unit project receives Section 8 housing assistance



payments, administered by the Corporation, for 222 units. This project was originally financed by bonds issued by the Corporation which have been redeemed.

(2) On December 27, 1993, the Corporation issued its \$141,735,000 Multi-Family Housing Revenue Bonds (FHA Insured Mortgage Loan-Manhattan West Development), 1993 Series A, all of which are outstanding, to finance a portion of an FHA-insured construction and permanent mortgage loan for the Manhattan West Development, a 1,000-unit mixed income project, located in Manhattan.

(C) Section 223(f) Refinancing Program. The Corporation has the power to acquire mortgages originally made by the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of the sale of such mortgages or issuance of obligations to the City. Between 1977 and 1978, tax-exempt obligations in the aggregate principal amount of \$379,884,800 were issued by the Corporation and secured by mortgage loans insured by FHA as described below.

The Corporation issued \$299,886,700 aggregate principal amount of its Multifamily Housing Limited Obligation Bonds (FHA Insured Mortgage Loans), in 58 series under a resolution adopted July 25, 1977, and issued \$79,998,100 aggregate principal amount of such bonds in 15 series under a second resolution adopted October 10, 1978, of which a combined total of \$264,197,261.32 is outstanding. Each series of such bonds is secured by a mortgage loan insured by FHA pursuant to section 223(f) of Title II of the National Housing Act of 1934, as amended (the "National Housing Act"). Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act. The bonds, which are structured as modified pass-through obligations, were privately placed with certain savings institutions under bond purchase agreements dated as of August 11, 1977 and November 30, 1978, respectively, as amended. Two series of these bonds have been redeemed in full as a result of the prepayment in full of the mortgage loan securing the respective series.

On June 21, 1996, the Corporation commenced loan servicing of thirty-seven subordinate permanent mortgage loans with an aggregate outstanding principal balance of \$221,219,826.83. These subordinate permanent mortgage loans are held by State Street Bank and Trust Company as trustee for the NYC Mortgage Loan Trust. In the case of thirty-one of these mortgage loans, each such mortgage loan is subordinate to one of the FHA-insured mortgage loans which secure certain of the bonds issued by the Corporation under its Section 223(f) Refinancing Program.

(D) Housing Revenue Bond Resolution Program. Under its Housing Revenue Bond Resolution Program the Corporation may issue bonds payable solely from and secured by the assets held under the Housing Revenue Bond Resolution which as of July 31, 2003 included a pool of mortgage loans, some of which are construction loans (which pool contained FHA-insured mortgage loans, SONYMA insured mortgage loans, GNMA mortgage-backed securities, other mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy

payments such as payments made pursuant to housing assistance payments contracts funded pursuant to Section 8 of the United States Housing Act of 1937, as amended, interest reduction subsidy payments funded pursuant to Section 236 and subsidy payments funded by the Housing Assistance Corporation, a subsidiary of the Corporation.

On October 13, 1994, the Corporation issued its \$6,500,000 Multi-Family Housing Revenue Bonds, 1994 Series A, of which \$4,660,000 is outstanding, to finance permanent mortgage loans in connection with the rehabilitation of multi-family rental housing developments.

On August 3, 1995, the Corporation issued its \$49,635,000 Multi-Family Housing Revenue Bonds, 1995 Series A, of which \$5,955,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Housing Bonds (FHA Insured Mortgage Loans), 1985 First Series; its Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities), 1985 Series A; and its Insured Multi-Family Mortgage Revenue Bonds, 1985 First Series.

On September 10, 1996, the Corporation issued its \$217,310,000 Multi-Family Housing Revenue Bonds, 1996 Series A, of which \$62,795,000 is outstanding, to refund all of the Corporation's outstanding General Housing Bonds, Series A through G.

On June 19, 1997, the Corporation issued its \$25,265,000 Multi-Family Housing Revenue Bonds, 1997 Series A and 1997 Series B, of which \$20,760,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Housing Bonds (FHA Insured Mortgage Loans), 1987 Series A and Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities), 1987 Series A as well as to finance permanent mortgage loans in connection with the rehabilitation of eight multifamily rental housing developments.

On October 15, 1997, the Corporation issued its \$30,000,000 Multi-Family Housing Revenue Bonds, 1997 Series C, of which \$22,250,000 is outstanding, to finance permanent mortgage loans in connection with the construction or rehabilitation of forty multifamily rental housing developments.

On May 21, 1998, the Corporation issued its \$57,800,000 Multi-Family Housing Revenue Bonds, 1998 Series A, of which \$56,000,000 is outstanding, to finance construction and/or permanent mortgage loans in connection with the development of nine multi-family housing projects.

On September 24, 1998, the Corporation issued its \$21,380,000 Multi-Family Housing Revenue Bonds, 1998 Series B, of which \$20,895,000 is outstanding, to finance a construction and permanent loan in connection with the development of an assisted living facility located at 1261 Fifth Avenue in Manhattan, New York.

On March 3, 1999, the Corporation issued its \$66,600,000 Multi-Family Housing Revenue Bonds, 1999 Series A-1 and 1999 Series A-2, of which \$58,800,000 is outstanding, to finance construction and/or permanent loans in connection with the development of six multi-family housing projects.

On August 18, 1999, the Corporation issued its \$40,200,000 Multi-Family Housing Revenue Bonds, 1999 Series B-1 and 1999 Series B-2, of which \$38,700,000 is outstanding, to finance

construction and/or permanent loans in connection with the development of eight multi-family housing projects. One of the permanent loans made was partially funded with the proceeds of the 2000 Series B Bonds described below.

On September 16, 1999, the Corporation issued its \$17,910,000 Multi-Family Housing Revenue Bonds, 1999 Series C and 1999 Series D, of which \$12,830,000 is outstanding, in order to finance (i) a construction and permanent loan in connection with the development of a multi-family housing development with the 1999 Series C proceeds and (ii) to refund the Corporation's outstanding Insured Multi-Family Mortgage Revenue Bonds (Sheridan Manor Apartments), 1989 Series A and to refinance the Sheridan Manor Apartments project with the 1999 Series D proceeds.

On January 13, 2000, the Corporation issued its \$10,715,000 Multi-Family Housing Revenue Bonds, 1999 Series E, of which \$10,020,000 is outstanding, to finance a construction and permanent loan in connection with the development of a senior housing facility to be known as Village Care located at the southwest corner of West 46th Street and Tenth Avenue in Manhattan, New York.

On September 13, 2000, the Corporation issued its \$36,240,000 Multi-Family Housing Revenue Bonds, 2000 Series A and 2000 Series B, of which \$31,555,000 is outstanding, to finance (i) a construction and permanent loan with the 2000 Series A proceeds in connection with the new construction of a rental housing development, and (ii) to finance construction and/or permanent loans with the 2000 Series B proceeds in connection with the development of seven multi-family housing projects. Three permanent loan increases were also made with the 2000 Series B proceeds for three projects whose mortgages were funded and are held under the Housing Revenue Bond Resolution Program.

On May 16, 2001, the Corporation issued its \$117,485,000 Multi-Family Housing Revenue Bonds, 2001 Series A and 2001 Series B, of which \$109,130,000 is outstanding, (a) to acquire, with the 2001 Series A proceeds, mortgage-backed securities guaranteed by the Government National Mortgage Association, the proceeds of which acquisition will be used by the mortgage banker to fund a construction and permanent mortgage loan for a 104-unit senior citizen rental housing development, and (b) to refund, with the 2001 Series B proceeds, all of the Corporation's outstanding Multi-Unit Mortgage Refunding Bonds (FHA Insured Mortgage Loans), 1991 Series A, which were issued in connection with the refinancing of eight multi-family developments.

On November 6, 2001, the Corporation issued its \$28,500,000 Multi-Family Housing Revenue Bonds, 2001 Series C-1 and 2001 Series C-2, of which \$25,650,000 is outstanding, to finance construction and permanent loans in connection with the construction or rehabilitation of five multi-family housing projects.

On June 20, 2002, the Corporation issued its \$378,020,000 Multi-Family Housing Revenue Bonds, 2002 Series A, 2002 Series B, 2002 Series C and 2002 Series D, of which \$366,220,000 is outstanding, (a) to finance, with the 2002 Series A proceeds, construction and permanent mortgage loans for two newly constructed developments; (b) to refund, with the 2002 Series B proceeds, a portion of certain of the Corporation's outstanding bonds issued under separate bond resolutions of the Corporation and to thereby acquire the related mortgage loans for three newly constructed developments; (c) to finance,

with the 2002 Series C proceeds, construction and/or permanent mortgage loans for approximately ten newly constructed or substantially rehabilitated developments; and (d) to finance, with the 2002 Series D proceeds, the acquisition, at the time of issuance of such bonds, of (i) a participation interest in approximately 380 permanent mortgage loans for certain developments and (ii) a participation interest in a portion of the cash flow derived from a trust certificate evidencing a beneficial ownership interest in approximately 90 permanent mortgage loans for certain developments.

On December 19, 2002, the Corporation issued its \$27,900,000 Multi-Family Housing Revenue Bonds, 2002 Series E-1, 2002 Series E-2, and 2002 Series F, all of which are outstanding, (a) to finance, with the 2002 Series E-1 and 2002 Series E-2 proceeds, construction and permanent mortgage loans for three newly constructed or substantially rehabilitated developments and (b) to refund, with the 2002 Series F proceeds, certain of the Corporation's outstanding bonds issued under a separate bond resolution of the Corporation and to thereby acquire the related mortgage loan for a certain newly constructed development.

On March 31, 2003, the Corporation issued its \$81,170,000 Multi-Family Housing Revenue Bonds, 2003 Series A (Auction Rate), of which \$73,395,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Housing Revenue Bonds, 1993 Series A and 1993 Series B, and to thereby acquire the related mortgage loans which were funded and continue to be held under the Housing Revenue Bond Resolution Program.

On July 16, 2003, the Corporation issued its \$111,700,000 Multi-Family Housing Revenue Bonds, 2003 Series B-1, 2003 Series B-2, 2003 Series C and 2003 Series D, all of which are outstanding, (a) to finance, with the 2003 Series B-1 and 2003 Series B-2 proceeds, construction and permanent mortgage loans for five newly constructed or substantially rehabilitated developments; (b) to refund, with the 2003 Series C proceeds, certain of the Corporation's outstanding bonds issued under a separate bond resolution of the Corporation and to thereby acquire the related mortgage loan for a certain development; and (c) to finance, with the 2003 Series D proceeds, the acquisition, at the time of issuance of such bonds, of (i) a participation interest in approximately 314 permanent mortgage loans for certain developments and (ii) a participation interest in a portion of the cash flow derived from a trust certificate evidencing a beneficial ownership interest in approximately 16 permanent mortgage loans for certain developments.

(E) Liberty Bond Program. In accordance with Section 301 of the Job Creation and Worker Assistance Act of 2002, the Corporation has issued tax-exempt and taxable bonds secured by a letter of credit to finance the development of multi-family housing within an area of lower Manhattan designated in such legislation as the "Liberty Zone". On July 9, 2003, the Corporation issued its \$82,000,000 Multi-Family Mortgage Revenue Bonds (90 Washington Street), 2003 Series A and 2003 Series B, all of which are outstanding, to finance a 398-unit project in Manhattan's Liberty Zone.

**II. DEVELOPMENT SERVICES PROGRAM.** The Corporation commenced its Development Services Program in 1987, which program is funded by monies drawn from the Corporation's unrestricted reserves. The Development Services Program is comprised of eight subprograms: (1) the Construction Loan Program, (2) the Seed Money Loan Program, (3) the Project Management Program, (4) the Working Capital Loan Program, (5) the Tax Credit Bridge Loan Program, (6) the HPD Loan Servicing Program, (7)

the Minority and Women-Owned Business Enterprise Working Capital Loan Program and (8) the Participation Loan Program. The subprograms that were active on July 31, 2003 are described below.

Neither the monies used to fund the Development Services Program nor the projects funded by the Development Services Program provide security under the Resolution.

(1) Seed Money Loan Program. Pursuant to a Memorandum of Understanding (“MOU”) with the City, acting through HPD, the Corporation has provided interim assistance in the form of an unsecured, interest-free loan to the Neighborhood Partnership Housing Development Fund Company, Inc. in the amount of \$2,250,000 to fund certain expenses associated with HPD’s Neighborhood Entrepreneurs Program.

(2) Working Capital Loan Program. Pursuant to an MOU with the City, acting through HPD, the Corporation has agreed to provide up to \$8,100,000 to fund 87 interest-free Working Capital loans to not-for-profit sponsors of projects through HPD’s Special Initiatives Program. The proceeds of such loans are used for rent-up expenses and initial operation costs of such projects.

(3) HPD Loan Servicing Program. The Corporation acts as loan servicer in connection with certain of HPD’s construction and permanent housing loan programs pursuant to several agreements with HPD. As of July 31, 2003, the Corporation was servicing construction and permanent loans in the approximate face amount of \$1,680,416,633.93.

(4) Participation Loan Program. The Corporation established a program to make mortgage loans the rehabilitation of certain multiple dwelling projects pursuant to the provisions of Article XV of the New York Private Housing Finance Law. The projects funded under this program are selected by HPD. The Corporation’s loan for each project is made in conjunction with a loan from a private lender.

**III. AFFORDABLE HOUSING PERMANENT LOAN PROGRAM.** The Corporation has established a program to make permanent mortgage loans for projects constructed or rehabilitated in conjunction with HPD loan programs. All of the mortgage loans under this program are expected to be financed by the proceeds of the Corporation’s Multi-Family Housing Revenue Bonds, 1997 Series C, as described in this Appendix B, Section I (D) Housing Revenue Bond Resolution Program, and/or other monies of the Corporation.

**IV. NEW HOUSING OPPORTUNITIES PROGRAM (New HOP).** The Corporation has established a program to make construction and permanent mortgage loans for developments intended to house low and moderate income tenants. The developments also receive subordinate loans from the Corporation. The first mortgage loans under this program are expected to be financed by the proceeds of obligations issued under the Corporation’s Multi-Family Housing Revenue Bonds Bond Resolution, including the Corporation’s Multi-Family Housing Revenue Bonds, 1998 Series A, 1998 Series B, 1999 Series A, 1999 Series B, 1999 Series E, 2000 Series B, 2001 Series C, 2002 Series A, 2002 Series C, 2002 Series E-1 and 2002 Series E-2 as described in this Appendix B, *Section I (D) Housing Revenue Bond Resolution Program*, and/or other monies of the Corporation.

## THE ANIMAL MEDICAL CENTER

### Overview

The Animal Medical Center (the “AMC”) operates one of the country’s preeminent veterinary hospitals, including a veterinary research institute and postgraduate education programs. The AMC is a private, tax-exempt, not-for-profit corporation organized under the laws of the State of New York, with its medical facility located at 510 E. 62nd Street, New York, New York. Contributions to the AMC are tax-deductible to the extent permitted by law.

### History and Organization

The AMC was founded in 1910 as the New York Women’s League for Animals. In 1955, The Caspary Institute for Veterinary Research (the “Caspary Institute”) was established at the League. The League’s name was changed to The Animal Medical Center in 1959. In 1964, the AMC established the Education Division, its first formal postgraduate teaching program. The Education Division was named the Edwin Riley Institute for Postgraduate Education (the “Riley Institute”) in 2001.

The AMC operates a medical facility to support sophisticated research programs and advanced veterinary care. The AMC’s facilities include inpatient and outpatient wards, an intensive care unit, and radiology, ultrasound and surgery facilities. To maintain the highest levels of care and research, the AMC has recently completed a ten-year renovation. The AMC has upgraded and enhanced its facility with the introduction of such equipment as a computed tomography scanner, two new radiograph units, a mobile fluoroscopy unit, an echocardiography unit for diagnosing cardiac diseases, the only nonprofit hemodialysis unit on the east coast and a Cavitron Ultrasonic Surgical Aspirator and Surgical Microscope to facilitate microscopic surgical procedures. In 2003, the AMC opened an Advanced Imaging Suite featuring a Magnetic Resonance Imaging (MRI) system, which is the first high-field, cryogenic magnet in a veterinary facility in the tri-state area.

In 1972, the AMC opened the Donaldson Atwood Cancer Clinic to treat naturally occurring animal cancers. Since 1984, the AMC has offered its Exotic Pet Service and its Oral Medicine and Surgery Service. The AMC performed its first angioplasty in 1989, its first successful corneal transplant in a dog in 1991 and established The George R. Jaqua Transfusion Medical Service in 1994.

The AMC presently consists of three divisions: The Elmer and Mamdouha Bobst Hospital (the “Bobst Hospital”), the Caspary Institute and the Riley Institute.

### The Bobst Hospital

Through its Departments of Medicine, Surgery, Pathology and Emergency Medicine/Critical Care, the Bobst Hospital provides veterinary care for companion animals in more than 25 areas of veterinary medicine, including avian/exotic pet medicine, cardiology, computed tomography, dentistry, dermatology, echocardiography, emergency medicine and critical care, endocrinology, gastroenterology, hematology, hemodialysis, immunology, internal medicine, nephrology, neurology, neurosurgery, oncology, ophthalmology, orthopedic surgery, pathology, radiation therapy, radiology, respiratory medicine, soft-tissue surgery, transfusion medicine and ultrasonography. The Bobst Hospital staff consists of approximately 90 veterinarians, including 35 board-certified specialists, receiving more than 60,000 patient visits per year. The Bobst Hospital is accredited as an American Animal Hospital Association (“AAHA”) Hospital Member. The AAHA is a nonprofit, internationally renowned organization that establishes veterinary hospital standards and accredits veterinary hospitals.

### The Caspary Institute

The Caspary Institute conducts research and clinical studies, providing an opportunity to the Bobst Hospital’s veterinarians to combine veterinary practice with clinical investigation and to collaborate with other medical institutions, advancing the care of both companion animals and humans. From time to time, the Caspary Institute has collaborated with, and received research grants from, such medical institutions as the Memorial Sloan Kettering Cancer Center, the National Institutes of Health, the Rockefeller University, New York University, and Tufts, Yale, Cornell, Ohio State and Vanderbilt Universities.

The Caspary Institute focuses primarily on clinical studies designed to assess disease characteristics of companion animals and diagnostic or treatment efficacy of drugs, including trials of newly-developed drugs. The Caspary Institute has developed and tested protocols and therapies that are widely used internationally, such as chemotherapy protocols for the treatment of lymphoma in dogs and cats.

The Caspary Institute never induces disease in healthy animals and conducts its research only with respect to naturally occurring conditions and diseases in animals. Significant studies conducted by the Caspary Institute include a feline heart failure trial, the first study of its kind to determine the most effective treatment for long-term heart failure in cats; a melanoma study, in collaboration with the Memorial Sloan Kettering Cancer Center, to, among other things, study the effect of certain types of DNA vaccinations on a malignant form of cancer afflicting both animals and humans; and an osteosarcoma study funded by the National Institutes of Health, focused on the treatment of a bone cancer in dogs that is strikingly similar to a bone cancer found in children.

### The Riley Institute

The AMC, through the Riley Institute, provides advanced learning opportunities in veterinary clinical sciences through postgraduate training programs for veterinarians and veterinary technicians. The programs include an intensive one-year intern program for veterinary graduates, with approximately 28 to 30 new interns each year, and resident training programs in advanced specialties, with approximately 20 to 25 residents at any time. Two- to four- year post-graduate residency programs are offered in a number of

specialties, including avian and exotic pet medicine, cardiology, internal medicine, emergency medicine and critical care, oncology and surgery.

In addition to the postgraduate programs, the AMC sponsors innovative two- to six-week preceptorship programs, through which veterinary students from all of the North American Veterinary Colleges and many in Europe, Asia and South America are exposed to structured clinical experiences. The AMC also offers internships to animal health social workers, paramedical training to veterinary assistants, externships to senior veterinary students and continuing education programs to practicing veterinarians.

Since its founding, the Riley Institute has graduated almost 1,000 interns and residents. Approximately 15% of all board-certified veterinary specialists in the clinical specialties have spent at least one year in training at the AMC.

### Other Programs

In addition to its veterinary medical and educational services and its clinical research activities, the AMC administers a number of charitable programs to assist pet owners and their companion animals. Financial assistance programs include: the Guide Dog Fund, which provides free veterinary care to working guide dogs of the visually impaired; the Good Samaritan Fund, which provides discounted veterinary care for eligible, injured, stray animals; Seniors' Animal Veterinary Effort (SAVE), which provides free or subsidized (depending on need) veterinary services to companion animals of the indigent elderly; and the Patient Assistance Fund, which provides to low income owners free or subsidized (depending on need) veterinary services to companion animals with a good prognosis in need of emergency and in-patient care services.

The AMC also supports a Human/Companion Animal Bond Program and was one of the first veterinary facilities to employ a full-time professional social worker; a Counseling Program, which provides decision making assistance to owners of ill pets and bereavement counseling for family members of deceased companion animals; and the Pet Outreach Program, which brings carefully selected volunteers and companion animals to nursing homes and operates programs for blind and autistic children and emotionally and physically impaired adults.

### **The AMC Facilities**

The AMC owns its veterinary hospital and headquarters building at 510 E. 62nd Street, New York, NY, and a 15- unit apartment building located at 1152 First Avenue, New York, NY, in which it provides subsidized housing for certain of its interns and residents. The AMC also owns a two-bedroom apartment on the East Side in Manhattan for use by its Chief Executive Officer.

### **Board of Trustees**

The AMC is governed by its members and a Board of Trustees. The Board of Trustees consists of up to 45 members. There are currently 37 voting Trustees and six Honorary Trustees. The Trustees are elected by the members of the AMC and generally serve for three-year terms, so that the terms of approximately one-third of the Trustees expire at the Annual Meeting of members each year. Except for the



President, the Trustees serve without compensation. Vacancies may be filled by the members or the Board. Officers of the AMC are elected annually. The members of the Board of Trustees are currently the only members of the AMC.

The members of the Board of Trustees as of June 30, 2003 and their affiliations are listed below:

Miss Cynthia Phipps	<i>Chairman of the Board, The Animal Medical Center</i>
Dr. Guy L. Pidgeon	<i>President and Chief Executive Officer, The Animal Medical Center</i> American College of Veterinary Internal Medicine, Board of Regents, Past Chairman
Mrs. Elmer H. Bobst	<i>Vice Chairman of the Board, The Animal Medical Center</i>
Mr. James Marcus	<i>Vice Chairman of the Board, The Animal Medical Center</i> Lenox Hill Hospital, Chairman Emeritus Metropolitan Opera Association, Honorary Trustee Channel 13, Trustee The Nature Conservancy, Trustee American Biltrite Inc., Director Insight Communications Company, Inc., Director
Frank V. D. Lloyd, Esq.	<i>Vice Chairman of the Board, The Animal Medical Center</i> Harwood Lloyd, Partner United States Equestrian Team, Chairman Bernice Barbour Foundation, President
Mr. Langhorne Reid III	<i>Treasurer, The Animal Medical Center</i> Arcady Capital, Inc.
Mrs. Kenneth Langone	<i>Secretary, The Animal Medical Center</i>
Mrs. William Acquavella	Association of Manhattan for Autistic Children, Former Trustee Hamilton College, Former Trustee
Mrs. Edwin M. Burke	United Way, Palm Beach, Trustee Preservation of Palm Beach, Trustee Memorial Sloan-Kettering Cancer Center, Board of Overseers and Managers, Secretary
Mr. Bruce Crawford	Omnicom Group Inc., Chairman and Director Lincoln Center for the Performing Arts, Chairman The Metropolitan Opera, Director
Dr. E. William Davis	New York Presbyterian Hospital, Vice President, Medical Affairs & Quality Assurance
Mrs. Oscar de la Renta	

Mr. Rodman L. Drake	Baringo Capital, Co-Founder Parsons Brinckerhoff, Inc., Director Hyperion Funds, Director Excelsior Funds, Trustee Silvercrest Asset Management Group, Advisory Board Whitney Museum of American Art, Drawing Committee
Mrs. Richard B. Englund	Chapin School, NYC, Retired Trustee American Valley Theater, Honorary Trustee Cancer Research Institute, Honorary Trustee Debutante Cotillon and Christmas Ball of NY, Downtown Hospital, Co-chair
Mrs. J. Pepe Fanjul	
Mrs. William E. Flaherty	Image Marketing International, President and CEO Junior Achievement, National Board, Member University of Limerick Palm Beach Zoo Committee of 200 International Women's Forum American Ireland Fund Daughters of the American Revolution
Mr. John A. Griffin	Blue Ridge Capital, President and Founder Tiger Foundation, Trustee University of Virginia, McIntire School of Commerce, Trustee Monticello, Thomas Jefferson Foundation, Inc., Trustee Michael J. Fox Foundation for Parkinson's Research, Trustee IMentor, Founder Blue Ridge Foundation, Founder
Mr. Edwin Moyer Hershey	AGA/Hershey
Mr. Norman Hinerfeld	Delta Group, Chairman Thermacon Industries, Inc., Chairman The American Arbitration Association, Past Chairman
Mr. Eli Hoffman	Eisner LLP, Managing Partner – New Jersey The Jaqua Foundation, Chairman New Jersey Symphony Orchestra, Trustee and Vice Chairman Kildonan School for Dyslexic Children, Amenia, NY, Trustee and Treasurer

Dr. Henry Kaufman	Henry Kaufman & Company, Inc., President Federal Home Loan Mortgage Corporation, Director Lehman Brothers Holdings Inc., Director The Statue of Liberty-Ellis Island Foundation, Inc., Director Institute of International Education, Trustee New York University, Trustee Whitney Museum of American Art, Trustee The Economic Club of New York, Treasurer Stern School of Business, New York University, Board of Overseers International Advisory Committee of the Federal Reserve Bank of New York, Member Advisory Committee to the Investment Committee, International Monetary Fund Staff Retirement Plan, Member Tel-Aviv University, Board of Governors The Jewish Museum, Honorary Trustee
Mrs. Henry Kissinger	
Mrs. Wendy Lehman Lash	Lyman Allyn Art Museum, New London, CT, President Connecticut College, New London, CT, Trustee
Mrs. Barbara Riley Levin	The New York Restoration Project, Trustee
Mr. Robert Liberman	The Adler Group, Inc., CEO The New York Public Library, Trustee Yale Forestry School, Faculty
Mr. Neil McCarthy	Windham Capital Management, CEO and Managing Partner Berkshire Taconic Community Foundation, Trustee Sharon Land Trust, Trustee Sharon Republican Town Committee, Trustee John M. McCarthy Foundation, Trustee Association for Investment Management and Research, Trustee
Mrs. Charles W. Nichols, Jr.	
Mrs. Andrall E. Pearson	Metropolitan Museum of Art, Chairman's Council Norton Museum, Palm Beach, Trustee Committee for Greenwich Library
Mr. Andrall E. Pearson	Yum! Brands, Chairman NYU Medical Center, Trustee Citigroup Inc., Director Metropolitan Museum of Art, Chairman's Council
Mrs. William Pitt	
Mrs. Katherine Johnson Rayner	
Mr. Howard Rubin	National Commission on Veterinary Economic Issues, CEO

Ms. Emilia Saint-Amand	The H. Frederick Krimendahl II Foundation, Executive Director Foreign Policy Association, Member Animal Rescue Fund of the Hamptons, Member City Harvest, Member Duke University, Scholarship Program, Member
Mrs. David T. Shiff	Jazz at Lincoln Center, Chairman
Dr. William N. Stratigos	r2K Comfidex Corporation
Ms. Virginia Guest Valentine	Sothebys, International Representative
Mrs. Janet B. York	

### **Executive Staff**

The operations of the AMC are directed by its President and Chief Executive Officer, the Hospital Director, the Chairmen of the Departments and other executives as follows:

*Guy Pidgeon, DVM, President and Chief Executive Officer.* Dr. Pidgeon received a Doctorate of Veterinary Medicine from Colorado State University in 1975. He completed an internship at the AMC and a residency in Small Animal Internal Medicine at the University of California, Davis. Prior to accepting his current position with the AMC in 1996, Dr. Pidgeon was a member of the faculty in the Department of Small Animal Surgery and Medicine (1978-1983) and an Associate Professor and a member of the Graduate Faculty (1983-1990) at Auburn University. Dr. Pidgeon also served as Associate Director (1990-1994) and Director (1994-1996) of the Department of Veterinary Affairs, Hill's Pet Nutrition. Dr. Pidgeon is a Diplomate of the American College of Veterinary Internal Medicine and served as a Member at Large of the Board of Regents (1984-1987), President of the Specialty of Internal Medicine (1991-1994) and held the four offices of the Board of Regents (Vice-president through Chairman, 1999-2003). He is a recipient of the Norden Pharmaceuticals, Distinguished Professor Award (1983, 1985) and was named Teacher of the Year of the College of Veterinary Medicine (1984, 1990) by the Auburn University Student Government Association.

*Michael Garvey, DVM, Hospital Director, Chairman, Department of Emergency Medicine and Critical Care.* Dr. Garvey received a Doctorate of Veterinary Medicine from the University of Illinois in 1974. He completed an internship in Medicine and Surgery and a residency in Internal Medicine and Gastroenterology at the AMC. Dr. Garvey has been employed by the AMC for more than 25 years. Dr. Garvey is a Diplomate of the American College of Veterinary Internal Medicine (1979) and a Charter Diplomate of the American College of Veterinary Emergency and Critical Care (1989).

*Philip Fox, DVM, Director of Research.* Dr. Fox received a Doctorate of Veterinary Medicine in 1978 and a Masters in Science in 1973 from Ohio State University. He completed an internship in Medicine and Surgery and a residency in Cardiology at the AMC and has been employed by the AMC for more than 20 years. Dr. Fox is a Diplomate of the American College of Veterinary Internal Medicine

(Cardiology) (1983), a Diplomate of the American College of Veterinary Emergency and Critical Care (1990) and a Diplomate of the European College of Veterinary Internal Medicine (Cardiology) (1997).

*Ann E. Hohenhaus, DVM, Chairman, Department of Medicine.* Dr. Hohenhaus received a Doctorate of Veterinary Medicine from Cornell University in 1985. She completed an internship in Medicine and Surgery, a residency in Oncology and Medicine and a clinical fellowship in Oncology and Hematology at the AMC. Dr. Hohenhaus has been employed by the AMC for more than 15 years. Dr. Hohenhaus is a Diplomate of the American College of Veterinary Internal Medicine (Oncology) (1991) and (Internal Medicine) (1995).

*Robert Parker, DVM, Chairman, Department of Surgery.* Dr. Parker received a Doctorate of Veterinary Medicine from University of California in 1973. He completed an internship in Small Animal Internal Medicine and Surgery at Washington State University. Prior to accepting his current position with the AMC in 1997, Dr. Parker was an Associate and Assistant Professor, College of Veterinary Medicine, University of Florida (1977-1997). Dr. Parker is a Diplomate of the American College of Veterinary Surgeons (1982).

*Keith Baer, DVM, Chairman, Department of Pathology.* Dr. Baer received a Doctorate of Veterinary Medicine from the University of Illinois in 1980. He completed a residency in Veterinary Pathology at each of the College of Veterinary Medicine, University of Illinois and the AMC. Dr. Baer has been employed by the AMC for more than 15 years. Dr. Baer is a Diplomate of the American College of Veterinary Pathologists (1989).

*Scott Buchner, Chief Financial Officer and Controller.* Mr. Buchner, a certified public accountant, received a Masters in Business Administration from Pace University in 1984 and a Bachelor of Science Degree from the State University of New York at Buffalo in 1977. Prior to joining the AMC, Mr. Buchner had over 10 years of not-for-profit accounting and finance experience.

*Karen Aiken, DVM, Director of Development and Public Relations.* Dr. Aiken received a Doctorate of Veterinary Medicine from Purdue University in 1991. Prior to accepting the position of Director of Development and Public Relations at the AMC in 1999, Dr. Aiken served as a Manager in the Department of Development and Public Relations at the AMC (1998-1999) and, prior to that, spent four years in private Equine practice, three years with a veterinary publishing company and one year as a member of the marketing department of a major veterinary health company.

*John Murro, Director of Human Resources.* Mr. Murro, a certified public accountant, received a Bachelor's Degree in Business Administration from Adelphi University in 1970. Prior to joining the AMC in 2001, Mr. Murro served for 15 years as Director and Vice President of Strategic Planning/Human Resources at Lebharr-Friedman Inc., and for more than seven years as Corporate Controller of Lebharr-Friedman Inc.

## Utilization

The following table sets forth certain utilization statistics for the AMC for each of the three years ended December 31, 2000, December 31, 2001, and December 31, 2002, respectively:

	Years Ended December 31		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Inpatient Admissions	10,704	10,329	10,143
Outpatient Clinic Visits	53,883	50,364	50,913
Total Inpatient Admissions and Outpatient Clinic Visits	64,587	60,693	61,056
Patient Days	32,052	30,469	28,633
Average Length of Stay (in days)	3.0	3.0	2.8
Average Daily Census	87.8	83.5	78.5

As shown in the foregoing table, beginning in 2001, the number of inpatient admissions at the AMC has declined, while the number of outpatient clinic visits has fluctuated. The AMC believes that the decline in inpatient admissions is attributable, in part, to the fact that, in recent years, owners of animal patients have more frequently sought daily outpatient services rather than admit their animals for more costly overnight stays at the AMC. The AMC believes that this recent decline in inpatient admissions and the resulting reduction in revenues is attributable to both a change in the preferences of owners seeking veterinary services for their companion animals and cost control measures in an adverse economic climate, such as has existed in the AMC's primary service area since 2000. The AMC compiles utilization information only on an annual basis and, as a result, utilization information for 2003 is not available.

## Summary Statement of Activities

The following is a Summary Statement of Activities of the AMC for each year in the three-year period ended December 31, 2002, and for the six months ended June 30, 2002 and June 30, 2003. The information for the three years ended December 31, 2002, has been derived from the audited financial statements of the AMC. Audited financial statements of the AMC for each of the four years ended December 31, 1999, 2000, 2001 and 2002, are contained in Appendix D.

The information in the following Summary Statement of Activities for the six months ended June 30, 2002 and June 30, 2003, is unaudited. This unaudited interim financial information should be read in conjunction with the audited financial statements, notes and information of the AMC included in Appendix D. The unaudited financial information reflects all adjustments (consisting only of normal recurring adjustments), which are, in the opinion of the AMC, necessary for a fair presentation of the information for the interim periods. The unaudited financial information has been prepared in conformity with generally accepted accounting principles. In that regard, the AMC is required to make estimates and assumptions that affect the amounts reported in the unaudited financial information. The AMC's actual results could differ

from those estimates and assumptions. Among other things, estimates and assumptions are used in accounting for certain allowances and reserves, including amortization, depreciation, employee benefits and reserves for uncollectibles. Estimates and assumptions are periodically reviewed and the effects of any material revisions are accounted for in the period they are determined to be necessary. Generally, net income from, and changes in valuations of, split interest arrangements (bequests, legacies and trusts) are reviewed and included in Contributions, Bequests, Legacies and Split-Interest Arrangements in the Statement of Activities of the AMC only at year-end. The operating results for the six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the year ending December 31, 2003, any other interim period or any future fiscal year.

Summary Statement of Activities

	Year Ended December 31			Six Months Ended June 30	
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2002</u>	<u>2003</u>
Professional Services Revenue Plus Restricted Contributions, Donated Goods, Investment Income and Other Operating Revenue	\$ 20,883,569	\$ 21,168,531	\$ 22,297,771	\$ 10,810,440	\$ 11,094,731
Professional Services Expenses Plus General, Fiscal and Administrative Services Expenses	22,896,443	24,316,265	25,956,184	12,777,870	13,345,573
Income (Loss) from Operating Activities	(2,012,874)	(3,147,734)	(3,658,413)	(1,967,430)	(2,250,842)
Contributions, Special Events and Split-Interest Arrangements (Net of Public Relations, Fund- raising and Special Event Expenses and Allowance for an Uncollectible Pledge (12/31/02))	6,888,378	11,351,933	1,357,444	27,635	194,309
Investment Income (Loss)	1,237,587	1,446,537	(896,864)	(807,401)	2,368,487
Change in Net Assets	6,113,091	9,650,736	(3,197,833)	(2,747,196)	311,954

## Sources of Revenue

The major portion of revenue received by the AMC is from Professional Services, which accounted for approximately 65.9%, 57.4% and 82.3%, respectively, of total revenue in the three years ended December 31, 2002 and approximately 98.2% and 74.6%, respectively, of total revenue in the six months ended June 30, 2002 and June 30, 2003. Investment income as well as contributions, bequests, legacies and other gifts (including restricted grants for research and programs) received from individuals, corporations, foundations and medical institutions, fluctuate markedly and unpredictably from year to year and period to period.

### Professional Services

The AMC receives payment for professional services at the time the services are rendered or as arranged with the owner of the animal patient. The AMC also administers financial assistance programs (see “Overview - Other Programs,” above) that pay for professional services in certain circumstances when the owners of companion animals are unable to pay all or a portion of the cost of professional services. Most owners do not carry medical insurance for their pets.

### Contributions, Bequests, Legacies and Other Gifts

The AMC’s resources are classified in its financial statements into three net asset classifications, consisting of (1) unrestricted assets that are available to support operations, (2) temporarily restricted assets that are subject to donor-imposed restrictions which are satisfied through the passage of time or by actions of the AMC, and (3) permanently restricted assets that are maintained in perpetuity in accordance with donor intentions. Each year, as the restrictions on temporarily restricted funds are satisfied, transfers of funds from the temporarily restricted to the unrestricted asset classification are made. The amounts so transferred in 2000, 2001 and 2002 and in the six months ended June 30, 2002 and June 30, 2003 were \$1,016,537, \$1,445,979, \$1,414,327, \$385,058 and \$398,688, respectively.

The AMC seeks support from corporations, public and private foundations and the general public. The AMC conducts fundraising activities annually to solicit gifts in support of the general operations of the AMC and equipment purchases through unrestricted and restricted gifts. In each of 2000, 2001 and 2002 and in the six months ended June 30, 2002 and June 30, 2003, the AMC received unrestricted contributions (including pledges) of \$2,253,374, \$3,002,499, \$4,501,957, \$378,866 and \$301,321, respectively, to support general operations; contributions subject to temporary restrictions of \$1,707,455, \$2,513,914, \$776,524, \$234,121 and \$224,866, respectively; and contributions subject to permanent restrictions of \$3,835,195, \$7,446,328, \$353,009, \$0 and \$0, respectively. (At December 31, 2002, the AMC established an allowance for a single, doubtful pledge of \$3,523,248 against total pledges receivable of \$10,405,812; no such allowance was established in 2000, 2001 or in the six months ended June 30, 2002 and June 30, 2003.). Fundraising activities include direct mail, special events, and personal solicitations.

### Research Grants

The AMC relies on research grants and donations to support certain of its research activities. In 2000, 2001 and 2002 and the six months ended June 30, 2002 and June 30, 2003, the AMC received \$389,923, \$311,283, \$225,007, \$152,713 and \$58,953, respectively, in research grants and contributions.

### **Operating Expenses**

Approximately two-thirds of the operating expenses of the AMC consist of compensation, employee benefits and related expenses. In the three years ended December 31, 2002 and in the six-month period ended June 30, 2003, due to competitive and other reasons, compensation and employee benefits



for the AMC's senior veterinarians and board certified specialists increased substantially. This increase contributed materially to the AMC's losses from operating activities.

## **Employees**

As of December 31, 2002, the AMC had 315 full-time equivalent employees, including approximately 90 veterinarians (including 35 board-certified specialists, 30 interns and 22 residents) and 225 other veterinary and administrative professionals and support service staff. As of June 30, 2003, the AMC had approximately 324 full-time equivalent employees. The AMC believes that its relationship with its employees is good.

In order to attract and retain highly qualified veterinary specialists and post-graduate trainees, each year the AMC provides subsidized housing for 50 or more of its interns and residents in the AMC's Veterinary Postgraduate Training Programs. These individuals are enrolled in programs lasting one to four years. Typical of hospital-based training programs, these persons are expected to work long hours, including overnight shifts, and be available to return to the hospital for emergency situations. Therefore, it is essential that these persons live within a short distance of the hospital. Salaries for the AMC's interns and residents currently range from \$20,000 to \$29,000 (excluding housing subsidies). Up to three interns in any year may volunteer their services and not be paid. Given the rental rates on apartments within the vicinity of the hospital, these individuals cannot afford market rates for housing and require subsidies from the AMC. In addition to the need for trainee housing, the AMC often must facilitate housing for permanent staff members to overcome the barrier to recruiting created by the high cost of living in New York City. See "The Project".

## **Licensure and Accreditation**

The AAHA renewed the AMC's accreditation in 2001. The next evaluation will occur in 2005. All residency and training programs for veterinarians are approved by the appropriate specialty college, such as The American College of Veterinary Internal Medicine, The American College of Veterinary Surgery, and The American College of Veterinary Pathology.

## **Legal Proceedings**

As of June 30, 2003, the AMC was not a party to any legal proceeding and, to its knowledge, no legal proceedings were threatened, that would materially and adversely affect the AMC's operations or financial condition.

## **Factors Affecting the AMC's Financial Condition**

The AMC's revenues and expenses are expected to be affected by future events and conditions relating generally to, among other things, demand for veterinary services; the ability of the AMC to provide the services required by owners of companion animals; the ability of the AMC to maintain its status as a preeminent provider of postgraduate veterinary education programs; veterinary professionals' satisfaction with the AMC, its research programs and facilities; management's capabilities; demographic, financial and economic developments in the United States, the State of New York and the AMC's service area;

competition; prices for veterinary services; operating costs; and governmental regulation, including changes in tax laws that affect not-for-profit organizations. The ability of the AMC to operate successfully over the term of the 2003 Bonds may be dependent upon its ability to finance, acquire and support additional capital replacement and improvements to its veterinary hospital facility. The following factors, among others, may have a material adverse effect on the AMC's operations to an extent that cannot be determined at this time:

(1) There have been recent developments affecting the tax-exempt status of non-profit organizations, including legislation introduced in Congress from time to time. Taxing authorities in certain jurisdictions have sought to impose or increase taxes related to the property and operations of non-profit organizations. If any such taxes are imposed on the AMC or increased, no assurance can be given that the AMC will be able to increase its revenue from veterinary services and education programs or increase unrestricted charitable contributions and grant awards to compensate for any increase in taxes.

(2) Following its purchase of the Project, the AMC expects to apply to the City of New York for a real estate tax exemption on that portion of the Project that is used for not-for-profit, tax-exempt purposes, including the portion funded by the 2003 Bonds. The tax exemption, if granted, would become effective beginning July 1, 2004. The current annual real estate tax on the Project, before any tax exemption, is approximately \$450,000. If the tax exemption is granted, the AMC expects that the annual real estate tax on the Project will be reduced substantially. The AMC has received real estate tax exemptions on other buildings owned by it in New York City, and believes that its application for a partial exemption on the Project will be approved. However, there is no assurance that the City will grant all or part of the requested tax exemption for the Project. If the requested exemption for the Project were denied, the AMC's annual projected expenses would increase significantly.

(3) The AMC expects to fund approximately \$8,005,000 of the acquisition cost of the Project by withdrawing funds from its endowment. The AMC expects that the resulting loss of investment income, estimated to be approximately \$400,000 per year, will be more than offset by a reduction in the cost of current staff housing expenses and new revenues in the form of rental income generated from operating the Project. If, for any reason, the Project experiences long-term vacancies or reduced rental income due to adverse changes in the rental market in New York City or if a catastrophic event were to compel the AMC to cease operating all or a portion of the Project for an extended period of time, there is no assurance that the AMC would be able to restore the lost revenue from other sources, continue to operate its veterinary facility and meet its obligations over the term of the 2003 Bonds.

(4) The AMC was at one time the only veterinary facility in the New York City metropolitan area that employed Board Certified Veterinarians with specialty training. In addition to the AMC, there are presently two private for-profit veterinary facilities that employ Board Certified Veterinarians in the Borough of Manhattan in the City of New York and a growing number of such facilities within a radius of 30 miles. Some of these facilities provide services that at one time were only available at the AMC. This increase in competition (including price competition from facilities located outside of New York City that have lower operating expenses) is expected to continue as more facilities are opened, including facilities established by graduates of the AMC's post-graduate programs. The AMC's continued leadership position in the face of escalating competition is dependent in large part upon the AMC's continued investment in new technologies and its ability to attract and retain highly qualified specialty veterinarians. If the AMC is unable to continue

to invest in new technologies and attract these specialty veterinarians, it may be unable to maintain its leadership position and could lose revenues and market share to other veterinary facilities.

(5) There has been a reported increase in the number of rental and owner-occupied apartment buildings in the City of New York and the surrounding area that have adopted rules prohibiting ownership and custody of companion animals in the apartments and public spaces of such buildings. If the trend to prohibit ownership of companion animals continues, there are likely to be fewer companion animals within the AMC's primary service area. In such event, there is no assurance that the AMC will be able to maintain the level of revenues necessary to continue to operate its veterinary facility and meet its obligations over the term of the 2003 Bonds.

**[PROPOSED FORM OF BOND COUNSEL OPINION]**

Upon delivery of the 2003 Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

NEW YORK CITY HOUSING  
DEVELOPMENT CORPORATION  
110 William Street  
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$10,140,000 Residential Revenue Bonds (The Animal Medical Center), 2003 Series A (the “2003 Series A Bonds”) of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation, created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2003 Series A Bonds are authorized to be issued pursuant to the Act and the Residential Revenue Bonds (The Animal Medical Center) Bond Resolution of the Corporation, adopted July 21, 2003 (herein called the “Resolution”). The 2003 Series A Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2003 Series A Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolution.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2003 Series A Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2003 Series A Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

We have not examined nor are we passing upon matters relating to the real and personal property referred to in the Mortgage, nor are we passing upon the Loan Agreement, the Mortgage, the other Mortgage Documents or the Assignment (as such terms are defined in the Resolution). In rendering this opinion, we have assumed the validity and enforceability of the Loan Agreement, the Mortgage, the other Mortgage Documents and the Assignment.

Upon the basis of the foregoing, we are of the opinion that:

(1) The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the Mortgage Loan, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 2003 Series A Bonds, and to perform its obligations under the terms and conditions of the Resolution, including financing the Mortgage Loan, as covenanted in the Resolution.

(2) The Resolution has been duly adopted by the Corporation, is in full force and effect, and is valid and binding upon the Corporation and enforceable in accordance with its terms.

(3) The 2003 Series A Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State of New York (the "State"), including the Act.

(4) The 2003 Series A Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

(5) The Bonds, including the 2003 Series A Bonds, are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Revenues (as defined in the Resolution) and all the Accounts (other than the Rebate Fund) established by the Resolution and moneys and securities therein, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

(6) Pursuant to the Resolution, the Corporation has validly covenanted in the manner and to the extent provided in the Resolution, among other things, to finance the Mortgage Loan, subject to the requirements of the Resolution with respect thereto.

(7) The 2003 Series A Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2003 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged for the payment thereof.

(8) Under existing statutes and court decisions, (i) interest on the 2003 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2003 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor (as defined in the Resolution) and others, in connection with the 2003 Series A Bonds, and we have assumed compliance by the Corporation and the

Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2003 Series A Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2003 Series A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the 2003 Series A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. 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 2003 Series A Bonds, or under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2003 Series A Bonds and the Resolution may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2003 Series A Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,