

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, (i) interest on the 2001 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"), except that no opinion is expressed as to such exclusion of interest on any 2001 Bond for any period during which such 2001 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2001 Bonds or a "related person" and (ii) interest on the 2001 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In the opinion of Bond Counsel, under existing statutes, interest on the 2001 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.

## **NEW YORK CITY HOUSING DEVELOPMENT CORPORATION** **\$7,000,000 Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 Series A**

**Dated: Date of Delivery**

**Price 100%**

**Due: June 1, 2033**

The 2001 Bonds will be issued as fully registered bonds in the initial denomination of \$100,000 or any whole multiple of \$100,000. The 2001 Bonds 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 2001 Bonds will be payable by First Union National Bank, New York, New York, as trustee for the 2001 Bonds, to Cede & Co., as nominee of DTC. Purchasers of the 2001 Bonds will not receive physical delivery of bond certificates. The 2001 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

As more fully described herein, the 2001 Bonds are being issued to finance a Mortgage Loan to Fox Street Apartments L.P., a New York limited partnership (the "Mortgagor"), in order to finance a portion of the costs of rehabilitating and equipping a multi-family rental housing facility located in the Borough of The Bronx in the City of New York. Payment of principal of and interest on the 2001 Bonds will be secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which such 2001 Bonds are being issued, all as described herein. The principal of, interest on and purchase price of, the 2001 Bonds are payable from the funds drawn under an irrevocable, direct-pay Letter of Credit to be issued by

### **THE CHASE MANHATTAN BANK**

until its stated expiration date of July 15, 2003, unless extended or terminated earlier in accordance therewith as described herein.

**The 2001 Bonds are subject to optional and mandatory redemption at the times and in the events set forth in the Resolution and described herein.**

The 2001 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to and including the first Tuesday following such date of issue, at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2001 Bonds. Thereafter, the 2001 Bonds will bear interest at the Weekly Rate, as determined for the 2001 Bonds from time to time by the Remarketing Agent (as defined herein), payable on each Interest Payment Date, and will be subject to a maximum rate, all as described herein. The term "Interest Payment Date" means the first Business Day of each month commencing July, 2001, each Change Date and the final maturity date of any 2001 Bond so long as the 2001 Bonds bear interest at the Weekly Rate or the Daily Rate. The 2001 Bonds are subject to alternate methods of determining interest rates from time to time and the conversion thereof to an interest rate fixed to maturity upon the terms and conditions described herein. During any Term Rate Period or Fixed Rate Period, the 2001 Bonds are subject to additional redemption provisions as set forth or determined pursuant to the Resolution, which provisions are not described herein.

During the period that the 2001 Bonds bear interest at the Weekly Rate or the Daily Rate, any 2001 Bond shall be purchased upon demand by the owner thereof, at a purchase price equal to 100% of the principal amount of such 2001 Bond plus accrued interest, on any Business Day, upon notice and delivery of such 2001 Bond to First Union National Bank, New York, New York, the Tender Agent, as described herein. The 2001 Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such 2001 Bonds. The 2001 Bonds will also be subject to mandatory tender for purchase upon (i) any substitution of the Letter of Credit or any provision of an Alternate Security, (ii) any prepayment in full of the Mortgage Loan, or (iii) certain other circumstances (as well as redemption prior to maturity) as described herein.

This Official Statement in general describes the 2001 Bonds only while the 2001 Bonds bear interest at a Weekly Rate, Daily Rate, or Flexible Rate. This Official Statement is not intended to describe the 2001 Bonds during a Term Rate Period or a Fixed Rate Period.

**The 2001 Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation of the State of New York. The 2001 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 2001 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 2001 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 General Counsel. Certain legal matters will be passed upon for the Mortgagor by its counsel, Hirschen & Singer, New York, New York. Certain legal matters will be passed upon for the Bank by its counsel, O'Sullivan, 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 2001 Bonds will be available for delivery in New York, New York on or about June 28, 2001.

**Goldman, Sachs & Co.**

Dated: June 19, 2001

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2001 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; the Bank; and the Mortgagor (in the case of information contained herein relating to the Mortgagor and the Project); and other sources which are believed to be reliable. Such information herein is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. The 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, the Bank or the Mortgagor, 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 2001 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 2001 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 RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**\$7,000,000 Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 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 \$7,000,000 aggregate principal amount of its Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 Series A (the "2001 Bonds"). The 2001 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 relating to the 2001 Bonds adopted by the Members of the Corporation on June 12, 2001 (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 2001 Bonds, are herein referred to as the "Bonds." First Union National Bank, New York, New York will act as trustee for the 2001 Bonds (in its capacity as trustee for the 2001 Bonds, the "Trustee"). 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 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.

As more fully described herein, the 2001 Bonds are being issued to finance a mortgage loan (the "Mortgage Loan") to Fox Street Apartments L.P., a New York limited partnership (the "Mortgagor"), in order to finance a portion of the costs of rehabilitating and equipping a multi-family rental housing facility located in the Borough of The Bronx in the City of New York (the "Project"). See "THE PROJECT AND THE MORTGAGOR" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

It is anticipated that the proceeds of the 2001 Bonds will be used to provide a portion of the construction financing with respect to the Project and that such construction financing will be repaid primarily from the proceeds of permanent loans made by the Corporation pursuant to its Affordable Housing Permanent Loan Program ("AHPLP") and by the New York City Department of Housing Preservation and Development ("HPD") pursuant to its Participation Loan Program ("PLP"). Upon receipt of such moneys, it is anticipated that all of the 2001 Bonds will be retired by a mandatory tender or redemption. See "THE MORTGAGE LOAN", "DESCRIPTION OF THE 2001 BONDS -- Mortgagor's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon a Notice of Prepayment of the Mortgage Loan in Full" and "-- Redemption of 2001 Bonds - Optional". In the event that the moneys needed to prepay the Mortgage Loan in full for the Project are not forthcoming as expected, it is anticipated that the Project would not be able to support the debt service requirements of the Mortgage Loan, which could result, at the option of the Credit Issuer, in a mandatory tender or redemption of all or a portion of the 2001 Bonds. See "DESCRIPTION OF THE 2001 BONDS -- Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination" and "-- Redemption of 2001 Bonds - Mandatory - Mandatory Redemption Upon a Declaration of Acceleration - Following an Event of Termination" herein. In addition if a

Mortgage Loan is made or funded in an amount less than the amount originally anticipated, all or a portion of the 2001 Bonds may be redeemed. See "DESCRIPTION OF THE 2001 BONDS -- Redemption of 2001 Bonds - Optional -- Special Redemption Without Premium" herein.

Concurrently with, and as a condition precedent to, the issuance of the 2001 Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable, direct-pay, letter of credit (the "Letter of Credit") issued by The Chase Manhattan Bank (the "Bank"). The Letter of Credit will permit the Trustee to draw up to (i) an amount equal to the aggregate principal amount of the 2001 Bonds then Outstanding plus (ii) during a Weekly Rate Period or Daily Rate Period, an amount equal to at least 35 days of interest at the Maximum Rate (defined below) on the Outstanding 2001 Bonds, in order to pay the principal or Purchase Price (defined below) of, and interest on, the 2001 Bonds. The Letter of Credit will be issued pursuant to the provisions of the Credit and Disbursement Agreement dated as of the date of the initial issuance of the 2001 Bonds (the "Credit Agreement"), among the Mortgagor, the Bank, in its capacity as the provider of the Letter of Credit and as agent and servicer (the "Agent") on behalf of itself and any other lenders who become co-lenders pursuant to the Credit Agreement (collectively, the "Lenders"). The sole obligor under the Letter of Credit will be the Bank. The other Lenders will have no obligation under the Letter of Credit. The Letter of Credit will expire on July 15, 2003 unless terminated earlier or extended in accordance with its terms. See "THE BANK," "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 an Alternate Security.

The 2001 Bonds are a special obligation 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 2001 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 Mortgagor will enter into the Credit Agreement with the Bank pursuant to which the Mortgagor will agree to reimburse the Bank for any payments made by the Bank under the Letter of Credit. Upon an event of default under the Credit Agreement, the Bank, at its option, may direct the mandatory tender or mandatory redemption of the 2001 Bonds in whole or in part. See "SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT -- The Credit Agreement - Events of Default" and " -- Remedies", and "DESCRIPTION OF THE 2001 BONDS -- Credit Issuer's Right To Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination", and " -- Redemption of 2001 Bonds - Mandatory - Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination" herein.

The 2001 Bonds are variable rate obligations which will bear interest from their date of issue to and including the first Tuesday following such date of issue, at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2001 Bonds. Thereafter, the 2001 Bonds will bear interest at the Weekly Rate, to be determined for the 2001 Bonds weekly as described herein by Goldman, Sachs & Co., as remarketing agent for the 2001 Bonds (in such capacity, the "Remarketing Agent"). Under certain circumstances the interest rate borne by the 2001 Bonds may be changed from time to time to a Daily Rate, a Weekly Rate, a Flexible Rate or a Term Rate or converted to a Fixed Rate. See "DESCRIPTION OF THE 2001 BONDS". The 2001 Bonds are subject to a maximum interest rate of ten percent (10%) per annum or such higher rate (which shall not exceed fifteen percent (15%) per annum) as may be established in accordance with the provisions of the Resolution (the "Maximum Rate").

During any period of time in which the 2001 Bonds bear interest at the Weekly Rate or the Daily Rate, the 2001 Bonds are subject to purchase at a price equal to 100% of the principal amount of any 2001 Bond plus accrued and unpaid interest thereon to the date of purchase (the "Purchase Price"). Such purchase shall be made upon demand of the owner thereof on any Business Day upon (i) seven days' prior notice while the 2001 Bonds bear interest at the Weekly Rate and (ii) notice delivered prior to 10:30 a.m., New York City time on such Business Day while such 2001 Bonds bear interest at the Daily Rate. The 2001 Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption as set forth in the Resolution and described herein.

**The 2001 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 2001 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 2001 Bonds and sources of payment, the Corporation, the Bank, the Mortgagor, the Project, the Mortgage Loan, the Letter of Credit, the Resolution, the Credit Agreement 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 2001 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. Other than as so covenanted in the Resolution, the Corporation has not committed to provide any information on an ongoing basis to any repository or other entity or person. See "MISCELLANEOUS".

## **THE CORPORATION**

### 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. 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 appointed Commissioner of HPD on September 19, 2000. 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.

**BILL GREEN**, Vice Chairperson and Member, serving pursuant to law. Mr. Green has served as a Board member of The Housing Partnership Development Corporation since 1993. Mr. Green has also served as a Board member of the General American Investors Company, a New York Stock Exchange listed closed-end investment company, since January 1993. Previously, he represented New York's 15th Congressional District in the U.S. House of Representatives for eight terms, from February 14, 1978 to January 1993. From 1981 to 1992, he served on the House Appropriations Committee and was the Ranking Republican Member of its Veterans Affairs, Housing and Urban Development, and Independent Agencies Subcommittee. Mr. Green co-chaired the National Commission on Severely Distressed Public Housing from 1991 to 1992. Prior to his election to the Congress, from 1970 to 1977, he was the Regional Administrator of the U.S. Department of Housing and Urban Development for the federal region which included New York, New Jersey, Puerto Rico and the Virgin Islands. Before that Mr. Green was a member of the New York State Assembly from 1965 to 1968. From 1961 to 1964, he served as Chief Counsel to the New York Joint Legislative Committee on Housing and Urban Development. Mr. Green has also been an attorney in private practice in New York City.

**ADAM L. BARSKY**, Member ex-officio. Mr. Barsky was appointed Director of the New York City Office of Management and Budget on March 28, 2000. In addition, he is currently serving as Chairman of the New York City Employees Retirement System and the Teachers Retirement System Board of Trustees. He has previously served as the Director of the Mayor's Office of Operations and as the Acting Commissioner for the New York City Department of Finance, and as First Deputy Commissioner for that Department. Mr. Barsky has also served as the Chief Financial and Administrative Officer at the New York City Economic Development Corporation. During his public service career, Mr. Barsky served as Town Comptroller for the Town of Babylon, New York, Director of the Department of Finance for the Town of Babylon, and Special Master for the United States Federal District Court. He has also held executive positions at Kidder, Peabody & Company, and Arthur Anderson & Company. Mr. Barsky is a graduate of the State University of New York at Albany, where he received a Bachelor of Science degree in Accounting. He is also a Certified Public Accountant.

**ANDREW S. ERISTOFF**, Member ex-officio. Mayor Rudolph W. Giuliani appointed Mr. Eristoff as Commissioner of the New York City Department of Finance on July 6, 1999. Prior to his appointment, Mr. Eristoff served as a Member of the Council of the City of New York, representing the Fourth District of Manhattan, which encompasses much of the borough's East Side. First elected in a February 1993 special election, he was re-elected to four-year terms in November of 1993 and in 1997. A Republican-Liberal, then-Council Member Eristoff served as the Chair of the Council's Task Force on Technology in Government. He also sat on the Committees on Governmental Operations, Contracts, and Parks, Recreation, Cultural Affairs, and International Intergroup Relations. Commissioner Eristoff is a graduate of Georgetown University Law Center and Princeton University.

**HARRY E. GOULD, JR.**, Member, serving pursuant to law. 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 Executive Branch of the Academy of Motion Picture Arts and Sciences. He is 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 second largest producer of uncoated freesheet in North America and the third largest in the world. He is a member of the Board of Directors of the USO of Metropolitan New York. He is also a member of the Board of Trustees of the American Management Association. 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 Strock & Strock & 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 a partner in the Broad Street Group 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.

**BILL GREEN**, Vice Chairperson.

**RUSSELL A. HARDING**, President. Mr. Harding has been the President of the Corporation since June of 1998, during which time he implemented various programmatic and administrative

changes. His accomplishments at the Corporation include an expansion of the Corporation's New Housing Opportunities Program to include assisted living projects for the elderly and the creation of a "Taxable 80/20" program designed to stimulate housing development beyond the limits of volume cap allocations. Prior to his time at the Corporation, Mr. Harding served as an Executive Vice President at the New York City Economic Development Corporation, and prior to that as the Coordinator of Intergovernmental Affairs for Mayor Giuliani between 1994 and 1996. While in the Mayor's Office, Mr. Harding also established and oversaw the Mayor's Office of Grants Administration. Mr Harding also serves as President of the New York City Residential Mortgage Insurance Corporation, a subsidiary of the Corporation ("REMIC").

**CHARLES A. BRASS**, Executive Vice President. Mr. Brass was appointed Executive Vice President of the Corporation on April 5, 2001. Mr. Brass recently returned to the Corporation after serving as President of the New York City Housing Partnership during 2000. Prior to that, Mr. Brass had been with the Corporation for sixteen years in various positions in the Development Department, most recently as First Senior Vice President for Development and Policy. Mr. Brass also serves as Executive Vice President of REMIC. From 1981 to 1984, Mr. Brass worked for HPD's Development and Policy Departments. He also serves on the Board of Directors of the National Association of Local Housing Finance Agencies.

**HARRY I. FRIED**, Chief Financial Officer. Mr. Fried was appointed Chief Financial Officer of the Corporation on August 6, 1998. Mr. Fried joined the Corporation in December 1986 as an Investment Analyst, and was appointed Assistant to the Treasurer in September 1992 and Assistant Treasurer in July 1996. Mr. Fried also serves as Chief Financial Officer of REMIC. Prior to joining the Corporation, Mr. Fried was an Assistant Branch Manager at UMB Bank and Trust Company. He received his MBA from New York University Graduate School of Business Administration.

**DAVID S. BOCCIO**, Senior Vice President and General Counsel. Mr. Boccio was appointed General Counsel and Senior Vice President of the Corporation in 1998. He previously served the Corporation as Vice President/Deputy General Counsel and Secretary. Mr. Boccio also serves as General Counsel of REMIC. Prior to joining the Corporation in 1986, he was associated with a law firm in Washington, D.C. He is a member of the New York, Maryland and District of Columbia Bars.

**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 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.

#### Purposes and Powers of the Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation 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 and unsecured loans to specified private entities; to purchase loans from lending institutions; to make loans insured or co-insured 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 2001 Bonds, notes, or other obligations are outstanding.

The sale of the 2001 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 2001 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 issuance by the Corporation of the 2001 Bonds to provide moneys to finance a Mortgage Loan for the purposes of paying a portion of the costs of rehabilitating and equipping the Project. In addition, there will be a contribution of owner's equity to pay a portion of Project costs. The Corporation and the Mortgagor will enter into a Construction Loan Agreement (as the same may be amended or supplemented, the "Loan Agreement"), simultaneously with the issuance of the 2001 Bonds. As a condition to the initial issuance and delivery of the 2001 Bonds, the Bank is to deliver the Letter of Credit for the benefit of the Trustee of the 2001 Bonds. The Mortgage Loan is to be evidenced by a Mortgage Note, which will be (i) in an aggregate principal amount equal to the outstanding principal amount of the 2001 Bonds, (ii) executed by the Mortgagor in favor of the Corporation and (iii) secured by a Mortgage on the Project. Pursuant to the terms of the Resolution and the related assignment and servicing agreement among the Corporation, the Agent on behalf of the Lenders, as their interests may appear, and the Trustee (the "Assignment"), the Corporation is to assign to the Trustee 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).

The Mortgagor will enter into a Credit Agreement with the Bank pursuant to which the Mortgagor will agree to reimburse the Bank for any payments made by the Bank under the Letter of Credit. Upon an event of default under the Credit Agreement, the Bank, at its option, may direct the mandatory tender or mandatory redemption of the 2001 Bonds in whole or in part. See "SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT -- The Credit Agreement - Events of Default" and "-- Remedies", and "DESCRIPTION OF THE 2001 BONDS -- Credit Issuer's Right To Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination", and "-- Redemption of 2001 Bonds - Mandatory - Mandatory Redemption Upon a Declaration of Acceleration - Following an Event of Termination" herein.

The Mortgagor has agreed to pay fees to the Bank in connection with the issuance and maintenance of the Letter of Credit and to indemnify the Bank in certain circumstances. Failure of the Mortgagor to make payments when due under the Mortgage Loan or the Credit Agreement, as the case may be, will result in an event of default under the Credit Agreement and, at the Bank's option, may cause a mandatory tender or redemption, in whole or in part, of the 2001 Bonds. See

“DESCRIPTION OF THE 2001 BONDS -- Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination”, and “ -- Redemption of 2001 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.

It is expected that the Mortgage Loan will be repaid prior to the expiration of the Letter of Credit primarily with the proceeds of permanent loans made by the Corporation pursuant to AHPLP and by HPD pursuant to PLP. Through AHPLP, the Corporation makes permanent first mortgage loans for affordable rental housing projects rehabilitated in conjunction with other government housing loan programs such as PLP. Through PLP, HPD provides subordinate construction financing and, at an interest rate of 1%, permanent financing for the rehabilitation and new construction of affordable rental housing projects. PLP loans are made by HPD pursuant to Article XV of the New York Private Housing Finance Law.

The Mortgagor has entered into commitments with (i) HPD to provide PLP construction financing for a portion of the anticipated acquisition costs of the Project as well as a portion of the permanent financing for the Project, and (ii) the Corporation to provide a portion of the permanent financing for the Project. Each commitment requires the Mortgagor to meet certain conditions as a precedent to the making of the applicable permanent loan. Among such conditions are (i) the completion of the Project in a timely manner and (ii) the achievement of a minimum gross rent for the Project. No assurances can be given that the Mortgagor will be able to satisfy the conditions of the Corporation or PLP permanent loan commitments prior to the expiration of the Letter of Credit for the Project in order to prepay its Mortgage Loan. In the event that the Corporation and/or PLP permanent loans are unavailable, the Mortgagor would have to obtain alternative permanent financing.

In the event that the moneys needed to prepay the Mortgage Loan are not forthcoming as expected (i.e., the permanent financing from the Corporation and HPD pursuant to AHPLP and PLP permanent loans, respectively, is not obtained), it is anticipated that the Project would not be able to support the debt service requirements of the Mortgage Loan, which could result, at the option of the Credit Issuer, in a mandatory tender or redemption of all or a portion of the 2001 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT -- The Credit Agreement - Events of Default” and “ - Remedies”, and “DESCRIPTION OF THE 2001 BONDS -- Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination”, and “ -- Redemption of 2001 Bonds - Mandatory - Mandatory Redemption Upon a Declaration of Acceleration - Following an Event of Termination” herein.

In connection with the issuance and maintenance of the Letter of Credit, certain guarantees will be provided solely for the benefit of the Bank (collectively, the “Guaranty”). Failure by a guarantor (the “Guarantor”) to make payments under its Guaranty when obligated to do so will result in an event of default under the Credit Agreement and may cause a mandatory tender or redemption, in whole or in part, of the 2001 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” and “DESCRIPTION OF THE 2001 BONDS -- Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination”, and “ -- Redemption of 2001 Bonds - Mandatory -- Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination” herein. Neither the owners of the 2001 Bonds nor the Corporation will have any rights with respect to any Guaranty, and the obligations thereunder, provided by a Guarantor.

The Mortgage Loan is a non-recourse obligation of the Mortgagor with respect to which its principals have no personal liability (except as otherwise provided in the Guaranty) and as to which

its principals have not pledged any of their respective assets (except as otherwise provided in the Guaranty), other than the Project and its rents, profits and proceeds.

### **THE PROJECT AND THE MORTGAGOR**

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

#### The Project

The 2001 Bonds are being issued to finance a Mortgage Loan in the amount of \$7,000,000 to the Mortgagor for the purpose of paying a portion of the costs of rehabilitating and equipping a multi-family rental housing facility located at 725 and 737 Fox Street in the Borough of The Bronx (the "Project"). Upon completion of the rehabilitation, the Project is anticipated to consist of one hundred and six (106) dwelling units comprised of twenty (20) studio's, twelve (12) one bedroom, sixty-two (62) two bedroom, inclusive of one (1) superintendent's unit, and twelve (12) three bedroom units in two contiguous 6- story buildings.

All of the residential rental units (excluding the superintendent's unit) are to be rented to households earning not more than 60% of the New York City median income pursuant to the requirements of the Federal Low-Income Housing Tax Credit Program. The Mortgagor expects to obtain an exemption and abatement of real estate taxes for the Project in accordance with Section 11-243 of the New York City Administrative Code (also known as "J-51 benefits"), which currently requires that all residential rental units of the Project be subject to rent regulation in accordance with the New York City Rent Stabilization Code. Permanent financing, the proceeds of which are expected to be utilized by the Mortgagor to prepay the Mortgage Loan, is expected to consist of proceeds of mortgage loans provided by HPD and the Corporation. See "THE MORTGAGE LOAN" above. In addition, there will be a contribution of owner's equity to pay a portion of Project costs.

#### The Mortgagor

The Mortgagor is a New York limited partnership formed solely for the purpose of developing, owning and operating the Project. As such, the Mortgagor has not previously engaged in any business operations, has no historical earnings and has no assets other than its interest in the Project. Accordingly, it is expected that the Mortgagor will not have any sources of funds to make payments on the Mortgage Loan other than as described herein and from revenues generated by the Project.

A private investor, anticipated to be an affiliate of WNC & Associates, Inc., is expected to provide an equity investment to the Mortgagor in exchange for an approximately 99.99% partnership interest in the Mortgagor. The general partner of the Mortgagor is Kay Fox Properties LLC, a New York limited liability company, which owns a .01% interest in the Mortgagor.

The members of the general partner are Harry Kotowitz, Perry Finkelman and Howard Klaus, who are all principals of Kay Organization Inc. Each of these members will own a one-third interest in Kay Fox Properties LLC. Kay Organization Inc., through affiliated entities, has been active as builders and developers of residential and commercial real estate throughout the New York metropolitan area for twenty (20) years, having developed and rehabilitated over 800 apartment units during that time.

### **THE BANK**

The Letter of Credit is an obligation of The Chase Manhattan Bank, a banking corporation organized under the laws of the State of New York, with headquarters in New York, New York. As of March 31, 2001, The Chase Manhattan Bank had total assets of approximately \$713.6 billion, total loans of approximately \$213.1 billion and total liabilities of approximately \$669.7 billion, including total deposits of approximately \$272.5 billion and a total stockholder's equity of approximately \$43.3 billion.

As of December 31, 2001, The Chase Manhattan Bank and The Chase Manhattan Bank USA, National Association were the principal bank subsidiaries of The Chase Manhattan Corporation, a bank holding company organized under the laws of the State of Delaware and registered under the Bank Holding Company Act. On December 31, 2000, J.P. Morgan Chase & Co. Incorporated merged with and into The Chase Manhattan Corporation, which thereupon changed its name to J.P. Morgan Chase & Co. The Chase Manhattan Bank, Morgan Guaranty Trust Company of New York and The Chase Manhattan Bank USA, National Association are the principal bank subsidiaries of J.P. Morgan Chase & Co.

Additional information, including the most recent Form 10-K for the year ended December 31, 2000, the 2000 Annual Report of J.P. Morgan Chase & Co. and additional annual, quarterly and current reports, filed with the Securities and Exchange Commission by J.P. Morgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, J.P. Morgan Chase & Co., 270 Park Avenue, New York, New York 10017.

Delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the Bank or J.P. Morgan Chase & Co. since the date hereof or that the information contained or referenced to under this heading is correct as of the time subsequent to the date of such information.

None of such information or any of the statements referred to in the preceding paragraphs is guaranteed as to accuracy or completeness by J.P. Morgan Chase & Co. or the Mortgage, or is to be construed as a representation by J.P. Morgan Chase & Co. or the Mortgage. Furthermore, neither J.P. Morgan Chase & Co. nor the Mortgage makes any representations as to the financial condition or resources of the Bank or J.P. Morgan Chase & Co. as to the absence of material adverse changes subsequent to March 31, 2001 in such information or in the information contained in the statements referred to above.

## **DESCRIPTION OF THE 2001 BONDS**

### General

The 2001 Bonds are to be dated and will mature as set forth on the cover page of this Official Statement. The 2001 Bonds will bear interest from the date of their delivery until payment of the principal thereof is made or provided for in accordance with the provisions of the Resolution, whether at maturity on June 1, 2033, upon redemption or otherwise. Pursuant to the Resolution, the 2001 Bonds may bear interest at a Weekly Rate, Daily Rate, Flexible Rate, Term Rate or Fixed Rate. At no time shall the interest rate on the 2001 Bonds exceed the maximum rate of ten percent (10%) or such higher rate, which shall not exceed fifteen percent (15%), as may be established in accordance with the provisions of the Resolution (the "Maximum Rate"). The 2001 Bonds are being issued as variable rate obligations which will bear interest from their date of issuance to and including the first Tuesday following such date of issuance, at a rate per annum set forth in a certificate of the

Corporation delivered the date of issuance of the 2001 Bonds. Thereafter, the 2001 Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. The method of determining the interest rate on the 2001 Bonds may be changed to a different method as provided in the Resolution. This Official Statement in general describes the 2001 Bonds only while the 2001 Bonds bear interest at a Weekly Rate, the Daily Rate or the Flexible Rate.

The 2001 Bonds shall be issued solely in fully registered form, without coupons, issuable (i) during a Weekly Rate Period or a Daily Rate Period in the denomination of \$100,000 or any whole multiple of \$100,000 and (ii) during a Flexible Rate Period in the denomination of \$100,000 or any \$5,000 increment in excess of \$100,000.

During any Weekly Rate Period or Daily Rate Period, interest on the 2001 Bonds shall be payable on a monthly basis on the first Business Day of the month commencing July, 2001, on a monthly basis on the first Business Day of the month occurring after the Interest Method Change Date with respect thereto, on any Change Date and on the final maturity date of the 2001 Bonds. During any Flexible Rate Period, interest on each 2001 Bond shall be payable on any Change Date relating to such 2001 Bond and on the final maturity date of the 2001 Bonds. During any Weekly Rate Period, Daily Rate Period or Flexible Rate Period, interest on the 2001 Bonds shall be computed on the basis of a 365 or 366-day year, for the actual number of days elapsed.

#### Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2001 Bonds. The 2001 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2001 Bond certificate will be issued for each maturity of the 2001 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 (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating 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 owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, 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, and trust companies 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of 2001 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 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 confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001 Bonds are to be accomplished by entries

made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Bonds, except in the event that use of the Book-Entry Only System for the 2001 Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of 2001 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2001 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2001 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial Owners of 2001 Bonds may wish to ascertain that the nominee holding the 2001 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2001 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2001 Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Corporation 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 2001 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2001 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of 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 principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the 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.

A Beneficial Owner shall give notice to elect to have its 2001 Bonds purchased or tendered through its Participant, to the Tender Agent, and shall effect delivery of such 2001 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2001 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of 2001 Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the 2001 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2001 Bonds to the Tender Agent's DTC account.



The Corporation and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2001 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2001 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2001 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Corporation and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the 2001 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Corporation (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2001 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Corporation; or other action taken by DTC as a registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

For every transfer and exchange of beneficial ownership of the 2001 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services with respect to the 2001 Bonds at any time by giving notice to the Corporation and discharging its responsibilities with respect thereto under applicable law, or the Corporation may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Corporation may retain another securities depository for the 2001 Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Corporation directs the Trustee to deliver such bond certificates, such 2001 Bonds may thereafter be exchanged for an equal aggregate principal amount of 2001 Bonds in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Corporation.

**The above information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the DTC Participants.**

So long as Cede & Co. is the registered owner of the 2001 Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2001 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2001 Bonds.

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.

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2001 Bond is held in book-entry form, such 2001 Bond need not be delivered in connection with any optional or mandatory tender of 2001 Bonds described under "DESCRIPTION OF THE 2001 BONDS". In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2001 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and notwithstanding the description of optional

and mandatory tender of 2001 Bonds contained under "DESCRIPTION OF THE 2001 BONDS". Transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE CORPORATION'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

#### Interest Rate Periods

*The following discussion relates to the short term variable rate modes authorized by the Resolution (i.e., Daily Rate, Weekly Rate and Flexible Rate). The Resolution also permits the 2001 Bonds to be converted to a Term Rate mode and a Fixed Rate mode. However, descriptions of these modes have not been included in this Official Statement.*

Weekly Rate Period. The 2001 Bonds shall bear interest at the Weekly Rate determined in accordance with the Resolution, during the period from the date of initial issuance and delivery of the 2001 Bonds to the earlier of the first Interest Method Change Date or the final maturity or redemption in whole of the 2001 Bonds, and during any subsequent period from and after any date designated by the Mortgagor, with the prior written consent of the Credit Issuer, for a change of the interest rate on the 2001 Bonds to

the Weekly Rate until the earlier of the next succeeding Interest Method Change Date or the final maturity or redemption in whole of the 2001 Bonds.

The Weekly Rate shall be the lowest interest rate, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 2001 Bonds on the Weekly Effective Rate Date being one hundred percent (100%) of the principal amount thereof, such interest rate to be determined as follows. The Remarketing Agent shall determine the Weekly Rate not later than 10:00 a.m., New York City time, on the Weekly Effective Rate Date for each Weekly Rate Term; provided, however, that the Weekly Rate from the date of initial issuance and delivery of the 2001 Bonds through and including the first Tuesday following such date of issuance, shall be the rate determined by the Corporation and delivered in writing to the Trustee on the date of such issuance and delivery. The Remarketing Agent shall immediately give notice of the determination of any Weekly Rate to the Corporation, the Mortgagor, the Trustee, the Tender Agent and the Credit Issuer by telecopy or other similar electronic means of communication or by such other method of communication as shall be mutually agreed upon by the Remarketing Agent and the recipients of such notice.

On the Business Day immediately following (i) the issuance and delivery of the 2001 Bonds and (ii) the establishment of any subsequent Weekly Rate Period, the Trustee shall deliver or mail by first-class mail, postage prepaid, to the owner of each 2001 Bond at the address shown on the registration books of the Corporation, a notice stating the Weekly Rate to be borne by the 2001 Bonds and that from and after the Weekly Effective Rate Date the 2001 Bonds will bear interest at the Weekly Rate for the duration of the applicable Weekly Rate Period. Such notice shall further specify the name, address and telephone number of the person or persons from whom information with respect to the Weekly Rate for each succeeding Weekly Rate Term may be obtained. Unless an Interest Method Change Date occurs, a new Weekly Rate Term shall automatically commence on the day after the termination of the current Weekly Rate Term.

If for any reason the position of the Remarketing Agent is vacant, or if the Remarketing Agent fails in the performance of its duty to determine the Weekly Rate for any Weekly Rate Term or the Weekly Rate is held to be invalid or unenforceable by a court of law, as set forth in a written notice from the Corporation to the Trustee, the Weekly Rate for such Weekly Rate Term shall be determined by the Trustee and shall be one hundred percent (100%) of the most recent seven-day Bond Market Association Municipal Swap Index™ published in *The Bond Buyer* or otherwise made available to the Trustee.

Daily Rate Period. At such time as shall be designated by the Mortgagor, with the consent of the Credit Issuer, for a change of the interest rate on the 2001 Bonds to the Daily Rate until the earlier of the next succeeding Interest Method Change Date or the final maturity or redemption in whole of the 2001 Bonds, the 2001 Bonds shall bear interest at the Daily Rate determined in accordance with the Resolution.

The Daily Rate shall be the lowest interest rate, not exceeding the Maximum Rate, which in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 2001 Bonds during a Daily Rate Term being one hundred percent (100%) of the principal amount thereof, such interest rate to be determined as follows. The Remarketing Agent shall determine the Daily Rate not later than 10:00 a.m., New York City time, on the business Day of the commencement of the Daily Rate Term to which it relates. The Remarketing Agent shall immediately give notice of the determination of any Daily Rate to the Corporation, the Mortgagor, the Trustee, the Tender Agent and the Credit Issuer by telecopy or other similar electronic means of communication or by such other method of communication as shall be mutually agreed upon by the Remarketing Agent and the recipients of such notice.

On the Business Day immediately following the establishment of a Daily Rate Period for the 2001 Bonds, the Trustee shall deliver or mail by first-class mail, postage prepaid, to the owner of each 2001 Bond at the address shown on the registration books of the Corporation, a notice stating that from and after the effective date of such Daily Rate Period the 2001 Bonds will bear interest at the Daily Rate for the duration of the applicable Daily Rate Period. Such notice shall further specify the name, address and telephone number of the person or persons from who information with respect to the Daily Rate for each succeeding Daily Rate Term may be obtained. Unless an Interest Method Change date concurs, a new Daily Rate Term shall automatically commence on the day after the termination of the current Daily Rate Term.

If for any reason the position of the Remarketing Agent is vacant, or if the Remarketing Agent fails in the performance of its duty to determine the Daily Rate for any Daily Rate Term or the Daily Rate is held to be invalid or unenforceable by a court of law, as set forth in a written notice from the Corporation to the Trustee, the Daily Rate for such Daily Rate Term shall be the Daily Rate that was in effect for the immediately preceding Daily Rate Term, if applicable; otherwise, the rate of interest on the 2001 Bonds shall continue to be determined according to the method that was in effect prior to the Interest Method Change Date until the next Interest Method Change Date.

Flexible Rate Period. At such time as shall be designated by the Mortgagor, with the consent of the Credit Issuer, for a change of interest rate on the 2001 Bonds to the Flexible Rate until the earlier of the next Interest Method Change Date or the final maturity or redemption of the 2001 Bonds, the 2001 Bonds shall bear interest at the Flexible Rate determined in accordance with the Resolution.

The Flexible Rate with respect to any particular 2001 Bond shall be the lowest interest rate, not exceeding the Maximum Rate, which in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for such 2001 Bond on the Flexible Rate Start Date (or subsequent Interest Adjustment Date with respect thereto, as the case may be) being one hundred percent (100%) of the principal

amount thereof given the applicable Flexible Rate Term for such 2001 Bond, such interest rate to be determined as follows. The Remarketing Agent shall determine the Flexible Rate not later than 1:00 p.m., New York City time, on the first Business Day of the Flexible Rate Term. The Flexible Rate shall be communicated immediately by the Remarketing Agent by telecopy or other similar electronic means of communication, or by telephone promptly followed by written notice mailed by first-class mail, postage prepaid, to the Trustee, the Credit Issuer, the Tender Agent, the Mortgagor and the Corporation, such communication to be received not later than 1:00 p.m., New York City time, on the day such Flexible Rate is determined. Notice of each Flexible Rate shall be prepared by the Trustee for mailing by the Tender Agent, and shall be sent by the Tender Agent by first-class mail, postage prepaid, to each owner of a 2001 Bond, the Corporation, the Mortgagor, and the Credit Issuer within seven (7) days after such Flexible Rate is determined.

The Flexible Rate Term with respect to any particular 2001 Bond is the period commencing on the Flexible Rate Start Date and ending not more than 270 days thereafter, selected by the Mortgagor, with the consent of the Credit Issuer, as the Flexible Rate Term with respect to such 2001 Bond; provided, that any Flexible Rate Term selected in accordance with the provisions of the Resolution shall be selected such that the Interest Adjustment Date occurring on the day immediately following the last day of such Flexible Rate Term shall be a Business Day. Subsequent Flexible Rate Terms of up to 270 days, selected by the Mortgagor, with the consent of the Credit Issuer, shall commence on the day immediately following the end of the preceding Flexible Rate Term with respect to any particular 2001 Bond (each such day an "Interest Adjustment Date") unless the interest rate on the 2001 Bonds shall be converted to a Weekly Rate, Daily Rate or Term Rate or to the Fixed Rate pursuant to the provisions of the Resolution. Notwithstanding the foregoing, the Mortgagor may not select a Flexible Rate Term for a particular 2001 Bond longer than the time remaining to the earlier of (i) the remaining term of the Credit Facility and (ii) the final maturity of such 2001 Bond.

If for any reason the position of the Remarketing Agent is vacant, or if the Remarketing Agent fails in the performance of its duty to determine the Flexible Rate for any Flexible Rate Term or the Flexible Rate is held to be invalid or unenforceable by a court of law, as set forth in a written notice from the Corporation to the Trustee, the Flexible Rate shall convert to a seven-day period. The Flexible Rate for such Flexible Rate Term shall be determined by the Trustee and shall be one hundred percent (100%) of the most recent seven-day Bond Market Association Municipal Swap Index™ published in *The Bond Buyer* or otherwise made available to the Trustee.

Interest Rate Changes. No change in the method of determining the interest rate on the 2001 Bonds shall be made unless the Trustee has received, at least 30 days prior to the Change Date, (1) a Certificate of an Authorized Officer of the Mortgagor specifying (i) the date which is to be the Interest Method Change Date and (ii) the method of determining the interest rate which shall take effect on such date, (2) a Certificate of an Authorized Officer of the Credit Issuer, evidencing consent to such change by the Credit Issuer and, if necessary, an amendment to such Credit Facility conforming such Credit Facility to the requirements of the Resolution applicable to such instrument from and after the Interest Method Change Date, together with various opinions of counsel set forth in the Resolution, or provision for the issuance of a Substitute Letter of Credit or Alternate Security meeting the requirements of the Resolution, in which case the Interest Method Change Date shall also be a Facility Change Date; provided, however, that if the interest rate on the 2001 Bonds is to be changed to the Fixed Rate and the Corporation elects to provide no Credit Facility, no such consent or Credit Facility shall be required, (3) an opinion of Bond Counsel to the effect that the proposed change in the method of determining the interest rate on the 2001 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2001 Bonds from gross income for Federal income tax purposes, and (4)(i) permission from Bond Counsel, the opinion of which as to the exclusion from gross income for Federal income tax purposes of interest on the 2001 Bonds is on file with the Trustee, to deliver such opinion in connection with the 2001 Bonds, or (ii) an opinion

from Bond Counsel as described in the Resolution to the effect that the interest on the 2001 Bonds is not included in gross income for Federal income tax purposes. Notwithstanding anything to the contrary contained in the Resolution, the provisions of this paragraph shall not apply to a change in the interest rate on a particular 2001 Bond on an Interest Adjustment Date relating to such 2001 Bond during a Flexible Rate Period.

Purchase of the 2001 Bonds on Demand of Owner

While the 2001 Bonds bear interest at the Weekly Rate or Daily Rate, each owner of a 2001 Bond may, by delivery of a written notice of tender to the Principal Offices of the Tender Agent at First Union National Bank, 1 World Trade Center, Suite 4711, New York, New York 10048, Attention: Corporate Trust Division (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at Goldman, Sachs & Co., 85 Broad Street, 24th Floor, New York, New York 10004 (or such other address as may be established by the Remarketing Agent from time to time), (i) during a Weekly Rate Period, prior to 5:00 p.m., New York City time, on any Business Day not less than seven calendar days before the particular Business Day chosen as the purchase date, or (ii) during a Daily Rate Period, prior to 10:30 a.m., New York City time, on any Business Day, which Business Day shall be the purchase date, demand payment of the Purchase Price on and as of such purchase date of all or a portion of such 2001 Bonds, in any denomination authorized by the Resolution; provided, however, that no 2001 Bonds shall be purchased unless any remaining 2001 Bonds of such owner are in a denomination authorized by the Resolution. Each such notice of tender shall be irrevocable and effective upon receipt and shall:

(i) be delivered to the Tender Agent and Remarketing Agent at their respective Principal Offices and be in a form satisfactory to the Tender Agent; and

(ii) state (A) the aggregate principal amount of the 2001 Bonds to be purchased and the numbers of such 2001 Bonds to be purchased, and (B) the date on which such 2001 Bonds are to be purchased, which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date will be prior to any Change Date and (ii) while any such 2001 Bonds bear interest at the Daily Rate, the Business Day on which such notice is delivered.

If any 2001 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2001 Bond demanding purchase thereof shall deliver to the Tender Agent a due bill check, payable to bearer, for interest due on such Interest Payment Date.

Any 2001 Bonds for which a demand for purchase has been made shall be delivered to the Tender Agent as agent for the Credit Issuer at or prior to (i) 12:00 noon, New York City time, while such 2001 Bonds bear interest at the Weekly Rate or (ii) 1:00 p.m., New York City time, while such Bonds bear interest at the Daily Rate, on the date designated for purchase, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank.

Any 2001 Bonds not so delivered to the Tender Agent (“Undelivered 2001 Bonds”) on or prior to the purchase date for which there has been irrevocably deposited in trust with the Trustee or the Tender Agent an amount of moneys sufficient to pay the Purchase Price of such Undelivered 2001 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 2001 BONDS TO DELIVER ITS 2001 BONDS ON OR PRIOR TO THE PURCHASE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE PURCHASE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2001 BONDS, AND ANY UNDELIVERED 2001 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Notwithstanding the above, in the event that any 2001 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2001 Bond to the Tender Agent but such 2001 Bond shall be deemed to have been delivered to the Tender Agent and remarketed and redelivered to such owner.

The demand purchase option shall not be available to owners of 2001 Bonds during a Flexible Rate Period.

#### Mandatory Purchase of 2001 Bonds on Interest Method Change Date

The 2001 Bonds shall be subject to mandatory tender for purchase on any Interest Method Change Date at the Purchase Price; provided, however, that if such Interest Method Change Date is an Interest Adjustment Date with respect to 2001 Bonds bearing interest at a Flexible Rate during a particular Flexible Rate Term, only such 2001 Bonds to which such Interest Adjustment Date relates shall be subject to mandatory tender by the owners thereof for purchase on such Interest Method Change Date. The Trustee shall deliver, or mail by first class mail to the Remarketing Agent and to the owner of each affected 2001 Bond, at its address shown on the registration books of the Corporation, a notice not later than the fifteenth (15th) day prior to the Interest Method Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Change Date and reason therefor, that all owners of such 2001 Bonds shall be deemed to have tendered their 2001 Bonds for purchase on the Change Date, and the Purchase Price for such 2001 Bonds. Notwithstanding the foregoing, with respect to an Interest Method Change Date that is an Interest Adjustment Date relating to 2001 Bonds bearing interest at a Flexible Rate during a particular Flexible Rate Term, no such notice shall be given.

Owners of 2001 Bonds to which a mandatory tender for purchase relates shall be required to tender their 2001 Bonds to the Tender Agent for purchase at the Purchase Price with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2001 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of such Undelivered 2001 Bonds shall be deemed to have been purchased at the Purchase Price on the Interest Method Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 2001 BONDS TO DELIVER ITS 2001 BONDS ON OR PRIOR TO THE INTEREST METHOD CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE INTEREST METHOD CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2001 BONDS, AND ANY UNDELIVERED 2001 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

#### Mandatory Purchase of 2001 Bonds Upon Replacement, Termination or Expiration of Credit Facility

On any Facility Change Date, the 2001 Bonds are subject to mandatory tender for purchase at the Purchase Price. In connection with a purchase on a Facility Change Date, the Trustee shall deliver, or mail by first class mail, a notice not later than the fifteenth (15th) day prior to the Facility Change Date to the Remarketing Agent and to the owner of each affected 2001 Bond at its address shown on the registration books maintained by the Corporation at the office of the Trustee. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Change Date and reason therefor, that all owners of such 2001 Bonds shall be deemed to have tendered their 2001 Bonds for purchase on the Change Date, and the Purchase Price for such 2001 Bonds.

Owners of 2001 Bonds shall be required to tender their 2001 Bonds to the Tender Agent for purchase at the Purchase Price with an appropriate endorsement for transfer to the Tender Agent, or

accompanied by a bond power endorsed in blank. Any Undelivered 2001 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of the Undelivered 2001 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 2001 BONDS TO DELIVER ITS 2001 BONDS ON OR PRIOR TO THE FACILITY CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE FACILITY CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2001 BONDS, AND ANY UNDELIVERED 2001 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Mortgagor's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon a Notice of Prepayment of the Mortgage Loan in Full

Pursuant to the Resolution, during any Weekly Rate Period or Daily Rate Period, upon notice to the Trustee from the Corporation of the Mortgagor's election to prepay, in full, the Mortgage Loan (said notice from the Corporation to the Trustee being defined in the Resolution as a "Notice of Prepayment of the Mortgage Loan"), the Corporation shall specify a Change Date on which the 2001 Bonds shall be subject to mandatory tender for purchase, which Change Date shall be the date specified by the Mortgagor for such prepayment of the Mortgage Loan in full. For a discussion of certain circumstances that may cause a prepayment of the Mortgage Loan in full, see "THE MORTGAGE LOAN".

Following receipt by the Trustee of such Notice of Prepayment of the Mortgage Loan, the Trustee shall deliver, or mail by first-class mail to the Remarketing Agent and to the owner of each affected 2001 Bond, at its address shown on the registration books maintained by the Corporation at the office of the Trustee, a notice not less than fifteen (15) days prior to such Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice.

Any notice of mandatory tender relating to a Notice of Prepayment of the Mortgage Loan shall set forth, in substance, the Change Date and reason therefor, that all owners of such 2001 Bonds shall be deemed to have tendered their 2001 Bonds for purchase on the Change Date and the Purchase Price for such 2001 Bonds. Owners of 2001 Bonds to which a mandatory tender for purchase relates shall be required to tender their 2001 Bonds to the Tender Agent for purchase at the Purchase Price with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2001 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of the Undelivered 2001 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 2001 BONDS TO DELIVER ITS 2001 BONDS ON OR PRIOR TO THE CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2001 BONDS, AND ANY UNDELIVERED 2001 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Upon such prepayment of the Mortgage Loan and payment to the Credit Issuer (other than from the proceeds of the remarketing of 2001 Bonds) of all amounts due under the Credit Agreement, all 2001 Bonds tendered or deemed tendered as a result of such prepayment shall be deemed paid and shall be delivered to the Trustee for cancellation.

### Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2001 Bonds Upon an Event of Termination

Pursuant to the Resolution, for so long as a Credit Facility is in effect, upon the receipt by the Trustee of written notice from the Credit Issuer that one or more events of default or certain other events have occurred under the Credit Agreement (defined in the Resolution as an "Event of Termination"), including, but not limited to, a default under the Mortgage Loan or Guaranty, failure to reimburse the Credit Issuer under the Credit Agreement, or a failure to complete the Project within the time required by the Credit Agreement, the Credit Issuer may specify a Change Date on which the 2001 Bonds shall be subject to mandatory tender for purchase, which Change Date shall not be later than eight (8) days following receipt by the Trustee of the direction to purchase the 2001 Bonds; provided however, that if the Credit Issuer shall have directed that the mandatory tender for purchase of the 2001 Bonds be for a portion of the 2001 Bonds, only such portion of the 2001 Bonds shall be subject to mandatory tender for purchase by the owners thereof on such Change Date, the particular 2001 Bonds to be tendered (which shall be in authorized denominations) shall be selected by the Trustee by lot, using such method as it shall determine in its sole discretion. Upon receipt of such written notice from the Credit Issuer, the Trustee shall promptly deliver to the Remarketing Agent and to the owner of each affected 2001 Bond a notice of mandatory tender for purchase by overnight express mail or courier service. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner received such notice. See "SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT" herein.

Any notice of mandatory tender relating to an Event of Termination specified by the Credit Issuer shall set forth, in substance, the Change Date and reason therefor, that the owners of the affected 2001 Bonds shall be deemed to have tendered their 2001 Bonds for purchase on the Change Date and the Purchase Price for such 2001 Bonds. Owners of affected 2001 Bonds shall be required to tender their 2001 Bonds to the Tender Agent for purchase at the Purchase Price with an appropriate endorsement for transfer to the Tender Agent or accompanied by a bond power endorsed in blank. Any Undelivered 2001 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of the Undelivered 2001 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 2001 BONDS TO DELIVER ITS 2001 BONDS ON OR PRIOR TO THE CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2001 BOND, AND ANY UNDELIVERED 2001 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

### Additional Provisions Regarding Pledged Bonds

Pursuant to the Resolution, the 2001 Bonds for which the Purchase Price is funded with moneys provided under the Credit Facility and which are not remarketed shall become Pledged Bonds. The Credit Facility shall not constitute security or provide liquidity support for Pledged Bonds. Pledged Bonds shall be pledged pursuant to the Pledge Agreement.

Failure to pay interest on Pledged Bonds when due, or failure to pay principal and interest on Pledged Bonds upon any Redemption Date or purchase date or the maturity date of the 2001 Bonds, shall not constitute an Event of Default. Upon the maturity date of the 2001 Bonds, or upon any Redemption Date of the redemption in whole of the 2001 Bonds (whether by reason of optional or mandatory redemption) or date of acceleration, all Pledged Bonds shall be deemed cancelled. Pledged Bonds shall also be cancelled at the direction of the Credit Issuer. At such time as a Pledged Bond is remarketed, the Trustee or the Tender Agent, as appropriate, shall (a) remit the proceeds from the remarketing to the Credit Issuer, and (b) to the extent that the Credit Facility has been



reinstated by the amount required as specified in the Resolution, give written notice to the Remarketing Agent, the Mortgagor, and the Credit Issuer that such 2001 Bond is no longer a Pledged Bond.

#### Provisions Affecting 2001 Bonds if a Change of Method of Determining the Interest Rate Cannot be Effected or if a Credit Facility Cannot be Replaced

In the event of a Facility Change Date or an Interest Method Change Date and following the provision of notice of mandatory purchase of 2001 Bonds, the Trustee receives notice from the Corporation or the Remarketing Agent, as applicable, that a change in the method of determining the interest rate on the 2001 Bonds cannot be effected, or a Credit Facility that was to be replaced cannot be replaced, the Change Date shall be cancelled, unless the prior Credit Facility is expiring within sixty (60) days after the Change Date. The Trustee shall promptly deliver or mail by first class mail, a notice to the owners of the 2001 Bonds stating that such change shall not occur and the reasons therefor.

#### Changes of Time Period for Provision of Notice Relating to Mandatory Purchase Provision or Demand Purchase Option

The Resolution provides that it is subject to amendment and supplement, from time to time, in the manner and for the purposes set forth therein and provides that at any time a Supplemental Resolution may be adopted and become effective (i) upon filing of a copy thereof certified by an Authorized Officer of the Corporation with the Trustee, (ii) upon filing with the Trustee and the Corporation of a consent to such Supplemental Resolution executed by the Trustee, and (iii) if such Supplemental Resolution is to effect a change with respect to the time periods for provision of notice relating the Mandatory Purchase Provision or Demand Purchase Option or the interest rate determination or the time periods for interest rate determination or the procedure for tendering 2001 Bonds in connection with the mandatory purchase provisions or demand purchase option, after such period of time as the Trustee and the Corporation deem appropriate following notice to the owners of the affected 2001 Bonds. A copy of any such Supplemental Resolution shall be provided to the owners of the 2001 Bonds.

#### Delivery of 2001 Bonds in Book-Entry Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2001 Bond is held in book-entry form, such 2001 Bond need not be delivered in connection with any optional or mandatory tender of 2001 Bonds described under "DESCRIPTION OF THE 2001 BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2001 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See "DESCRIPTION OF THE 2001 BONDS -- Book-Entry Only System" herein.

#### Redemption of 2001 Bonds - Mandatory

*The following discussion relates to the redemption of the 2001 Bonds while they are in the Daily Rate, Weekly Rate or Flexible Rate mode. The Resolution also permits the 2001 Bonds to be redeemed while they are in the Term Rate or Fixed Rate mode under certain terms and circumstances that may differ from those discussed below. Such discussion, however, has not been included in this Official Statement.*

Mandatory Redemption From Certain Recoveries of Principal and Other Moneys. The 2001 Bonds shall be 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 (a) the advance payment in full of all amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor,

during a Weekly Rate Period or Daily Rate Period or (b) the advance payment in full or in part of amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor, during a Flexible Rate Period), 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 2001 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption From Certain Recoveries of Principal and Other Moneys During A Flexible Rate Period. During a Flexible Rate Period, each 2001 Bond shall be subject to mandatory redemption, without notice, in whole or in part, on any Interest Adjustment Date with respect to such 2001 Bond in an amount not in excess of (i) Recoveries of Principal resulting from the 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 2001 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Mandatory Redemption on Bankruptcy of Credit Issuer. The 2001 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 2001 Bonds to be redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption Upon a Declaration of Acceleration.

Following an Event of Default. The 2001 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 2001 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 2001 Bonds are subject to mandatory redemption, in whole or in part, 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 2001 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. During a Daily Rate Period, Weekly Rate Period or Flexible Rate Period, the 2001 Bonds shall be 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 2001 Bonds to be redeemed plus accrued interest to the Redemption Date. A “Determination of Taxability” with respect to the 2001 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 2001 Bond is or was includable in the gross income of the owner of such 2001 Bond for Federal income tax purposes, other than as a result of the owner of such 2001 Bond being a “substantial user” of the facilities financed by the 2001 Bonds or a “related person” within the meaning of the Code.

Redemption of 2001 Bonds - Optional

Optional Redemption During a Weekly Rate Period or Daily Rate Period. During a Weekly Rate Period or Daily Rate Period, the 2001 Bonds shall be subject to redemption, at the option of the Corporation, in whole or in part, at any time, at a Redemption Price equal to 100% of the principal amount of the 2001 Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Optional Redemption During a Flexible Rate Period. During a Flexible Rate Period, each 2001 Bond is subject to redemption, without notice, at the option of the Corporation, subject to the provisions of the Loan Agreement, in whole or in part, on any Interest Adjustment Date with respect to such 2001 Bond, at a Redemption Price equal to 100% of the principal amount of the 2001 Bonds to be redeemed plus accrued interest to the Redemption Date.

Special Redemption Without Premium. The 2001 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity, in an amount not in excess of (i) amounts on deposit in the Bond Proceeds Account representing unexpended amounts allocable to such 2001 Bonds that are not used to finance the Mortgage Loan and (ii) any 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 2001 Bonds to be redeemed, plus interest accrued thereon to the Redemption Date.

#### Selection of the 2001 Bonds to be Redeemed

In connection with any redemption of the 2001 Bonds in part, the Trustee, after first selecting for redemption any 2001 Bonds pledged to the Credit Issuer, shall select the remaining 2001 Bonds or portions thereof to be redeemed by lot in such manner as the Trustee may determine; provided, however, that in the event of a redemption described under the captions “Mandatory Redemption From Certain Recoveries of Principal and Other Moneys During a Flexible Rate Period” and “Optional Redemption During a Flexible Rate Period” above, the 2001 Bonds to be redeemed shall be those 2001 Bonds to which an Interest Adjustment Date relates, or if less than all of such 2001 Bonds are to be redeemed, the Trustee shall select the 2001 Bonds to be redeemed from such 2001 Bonds by lot in such manner as the Trustee may determine. Notwithstanding the foregoing, for so long as the Credit Facility shall be in effect, (i) the first 2001 Bonds to be redeemed shall be Pledged Bonds of such Series and (ii) no 2001 Bond shall be selected for redemption if the portion of such 2001 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 2001 Bonds, or is required pursuant to the Resolution to redeem the 2001 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of the 2001 Bonds. Such notice is to specify, among other things, the 2001 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 2001 Bonds or portions of 2001 Bonds which are to be redeemed, at their last addresses appearing upon the registry book not less than fifteen (15) days before the Redemption Date during a Weekly Rate Period, Daily Rate Period or Flexible Rate Period. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2001 Bonds for which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on such 2001 Bonds after the Redemption Date if notice has been given, or is not required to be given, if the conditions precedent to the redemption, if any, have been satisfied, and if sufficient moneys have been deposited with the Trustee to pay the applicable Redemption Price and interest on such 2001 Bonds on such date.

#### Corporation's Right to Purchase

The Corporation retains the right to purchase the 2001 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 2001 Bonds.

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

The proceeds of the 2001 Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount equal to the principal amount of the 2001 Bonds, which amount will be used to partially finance the rehabilitation and equipping of the Project. The balance of financing for the Project will come from equity invested in the Project by the Mortgagor.

In addition, the Mortgagor will pay, with other funds of the Mortgagor, the Underwriter's fee in an amount equal to \$28,000 and certain expenses of the Underwriter, and costs of issuance for the 2001 Bonds.

To the extent any proceeds of the 2001 Bonds are not used to fund the Mortgage Loan, a portion of the 2001 Bonds may be redeemed. See "DESCRIPTION OF THE 2001 BONDS -- Redemption of 2001 Bonds - Optional -- Special Redemption Without Premium" herein.

## **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 its 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 the 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, including earnings and gains received by the Trustee pursuant to any investment agreement. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charges or settlement fees of the Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of all amounts held in any 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 or the Credit Facility is no longer in effect, 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 therein.

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 Agent, on behalf of the Lenders, 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 2001 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 July 15, 2003 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" and the Bank, or any other issuer of a Credit Facility, being herein referred to as the "Credit Issuer"), as described below under the caption "Alternate Security". Upon replacement, termination or expiration of the Credit Facility (including the Letter of Credit), the 2001 Bonds are subject to mandatory tender as described above under the caption "DESCRIPTION OF THE 2001 BONDS -- Mandatory Purchase of 2001 Bonds Upon Replacement or Expiration of Credit Facility". 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 "THE BANK".

#### Alternate Security

Pursuant to the Resolution, the Corporation reserves the right to make provision for or cause the replacement of any Credit Facility; provided, however, that during any Weekly Rate Period, Daily Rate Period or Flexible Rate Period, a Credit Facility must be in effect with respect to the 2001 Bonds.

The Corporation may not exercise its right to make provision for or cause the replacement of any Credit Facility, unless the Corporation has provided the Trustee with (i) certain opinions as to, among other things, the effect of such replacement on the tax status of the 2001 Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. or the national rating agency or agencies then rating the 2001 Bonds (a) in the case of a Substitute Letter of Credit, to the effect that such Substitute Letter of Credit will not result in a reduction or withdrawal of the rating of the 2001 Bonds in effect at the time of such substitution; and (b) in the case of Alternate Security, to the effect that such Alternate Security will provide the 2001 Bonds with an investment grade rating; (iii) an opinion relating to the transaction's compliance with certain requirements of the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended; and (iv) moneys sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility.

#### Additional Bonds

Additional Bonds, on parity with the 2001 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 2001 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2001 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.

#### 2001 Bonds Not a Debt of the State or the City

The 2001 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 2001 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 a portion of 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:

(1) 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;

(2) a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation;

(3) the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the Resolution;

(4) with respect to the 2001 Bonds, the Letter of Credit, and with respect to any Additional Bonds, the Credit Facility; and

(5) with respect to the 2001 Bonds, executed copies of the Assignment, the Loan Agreement, the Regulatory Agreement, the Mortgage Documents and the Credit Agreement, and with respect to Additional Bonds, such documents as are specified in the Supplemental Resolution authorizing same.

#### 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. 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 2001 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2001 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds; provided that the Credit Facility shall not secure Pledged Bonds.

#### Application and Disbursements of Bond Proceeds

The proceeds of sale of a Series 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 2001 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 2001 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 unless, among other things, (1) 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 (2) 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 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 purchase or redeem Bonds in accordance with the Resolution; (v) to reimburse the Credit Issuer for moneys obtained under the Credit Facility for the purposes set forth in (iii) above; and (vi) 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, 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 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 or date of purchase (but not with respect to any purchase pursuant to the Mandatory Purchase Provision or the Demand Purchase Option), the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased (unless the payment of such accrued interest shall be otherwise provided for) 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.

Notwithstanding any provision to the contrary which may be contained in the Resolution, (i) in computing the amount to be drawn under the Credit Facility on account of the payment of the principal of or interest on the Bonds, the Trustee shall exclude any such amounts in respect of any Bonds which are Pledged Bonds on the date such payment is due, and (ii) amounts drawn by the Trustee under the Credit Facility shall not be applied to the payment of the principal of or interest on any Bonds which are Pledged Bonds on the date such payment is due.

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 for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption

Price plus 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, (iii) third, if so directed by the Corporation, to the Tender Agent, an amount equal to the Tender Agent's unpaid fees and expenses, (iv) fourth, if so directed by the Corporation, to the Remarketing Agent, an amount equal to the Remarketing Agent's unpaid fees and expenses, and (v) fifth, 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 2001 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, except in the event that the owner of any such Bond is a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of the Code.

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 (other than Pledged 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 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. 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; 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; provide, in connection with the issuance of a Series of Additional Bonds, that specified provisions of the Resolution that relate to the 2001 Bonds shall also apply to such Series of Additional Bonds; provide for such changes as are deemed necessary or desirable by the Corporation to take effect on a Change Date on which 100% of the Bonds are subject to mandatory tender; 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; or provide, upon thirty (30) days notice and the right of Bond owners to tender their 2001 Bonds for purchase prior to the effective date of other proposed changes, for such changes as are deemed necessary or desirable by the Corporation.

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) through (3) below constitutes an "Event of Default" and the following event set forth in clause (4) 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 (other than Pledged Bonds) 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) payment of the Purchase Price of any 2001 Bond (other than Pledged Bonds) tendered in accordance with the Resolution shall not be made when and as the same shall become due; (3) 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) or (2) 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 (4) 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 either the remedy set forth in clause (5) of the following paragraph or the remedy set forth in clause (8) of the following paragraph, as provided in such 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 (4) of the preceding paragraph, to protect and enforce the remedies of the Bond owners and the Credit Issuer by the remedies set forth in either clause (5) or (8) below; provided, however, that anything in the Resolution to the contrary notwithstanding, the Trustee shall enforce the remedy set forth in clauses (5) and (8) within the time limits provided therein. Upon the happening and continuance of any Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) 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 (4) of the preceding paragraph in the case of an Event of Termination, by immediately declaring all Bonds or, with respect to an Event of Termination, a portion of the 2001 Bonds specified by the Credit Issuer due and payable, whereupon, with respect to any affected 2001 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) or (2) 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; (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 2001 Bonds; or (8) upon the happening and continuance of an Event of Termination and upon receipt of direction from the Credit Issuer, by carrying out a purchase of all or, if so designated by the Credit Issuer, a portion of the 2001 Bonds pursuant to the Resolution on a date specified by the Credit Issuer, which date shall not be later than eight (8) days following receipt by the Trustee of such direction.

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (5) or (8) 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 in the order or priority with respect to Bonds as set forth in the following paragraph and 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.

If, at the time the Trustee is to apply amounts in accordance with the provisions of the preceding paragraph, any of the Bonds Outstanding are Pledged Bonds, the Trustee shall make the payments with respect to the Bonds prescribed by the preceding paragraph, first, to the owners of all Bonds Outstanding other than Pledged Bonds and second, to the owner of Pledged 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 (a) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Issuer, or (b) if the Credit Facility is no longer in effect; 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, except that during any Daily Rate Period, Weekly Rate Period or Flexible Rate Period, interest shall continue to accrue on any unpaid principal to such next succeeding Business Day.

#### Defeasance

If the Corporation shall pay or cause to be paid to the owners of all Bonds Outstanding the principal and interest and Redemption Price, if any, to become due thereon, from Available Moneys, at the times and in the manner stipulated therein and in the Resolution, and if the Corporation shall pay or cause to be paid the fees and expenses of the Trustee, then the pledge of any Revenues and other moneys, securities, funds and property thereby pledged and all other rights granted by the Resolution shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which Available Moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. Except during a Weekly Rate Period or Daily Rate Period, all Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if: (1) in case any of said Bonds are

to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (2) there shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) either (a) Available Moneys in an amount which shall be sufficient, or (b) Government Obligations purchased with Available Moneys or (c) obligations (which obligations shall be rated by the national rating agency or agencies then rating said Bonds no lower than the then current ratings(s) on said Bonds) purchased with Available Moneys (i) validly issued by or on behalf of a state or political subdivision thereof, (ii) the interest on which is excluded from gross income for Federal income tax purposes pursuant to Section 103(a)(1) of the Code and (iii) fully secured by a first lien on Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the Available Moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest (at the applicable Flexible Rate or Rates during a Flexible Rate Period or at the Term Rate or Fixed Rate during a Term Rate Period or the Fixed Rate Period, respectively) due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; provided, that with respect to any of said Bonds bearing interest at a Flexible Rate, such Bonds shall be redeemed on a Redemption Date which shall be the day immediately following the last day of the then current Flexible Rate Term with respect to such Bonds, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Bonds that the deposit required by this paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds. Upon receipt of written instructions from the Corporation, the Trustee shall draw on the Credit Facility to make the deposit described in clause (2) of this paragraph. To the extent required for the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds, neither Available Moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any Government Obligations or obligations described in clause (c) above deposited with the Trustee pursuant to the Resolution shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations or obligations described in clause (c) above deposited with the Trustee pursuant to the Resolution, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations described in clause (b) or (c) above maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and any Available Moneys deposited with the Trustee pursuant to the Resolution and principal and interest payments on the obligations described in clause (b) or (c) above, if not required for the payment of said Bonds, and after payment of the fees and expenses of the Trustee, shall be paid over to the Mortgagor, as received by the Trustee, free and clear of any trust, lien or pledge. The Trustee may sell, transfer or otherwise dispose of the obligations described in clauses (b) and (c) above deposited with the Trustee pursuant to the Resolution; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other obligations described in clauses (b) and (c) above, the principal of and the interest on which when due will provide Available Moneys which, together with the moneys on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, in accordance with this paragraph.

Amounts held by the Trustee for the payment of principal or Redemption Price of, or interest on, Bonds held by particular Bond owners with respect to which no claim for payment has been made shall be disposed of as provided by applicable law, or if there shall be no such applicable law, shall be returned to the Corporation three years after the date on which payment of such amounts would have been due.

## **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. Reference is made to the Letter of Credit and the Credit Agreement, copies of which are on file with the Corporation and the Trustee, for a complete statement of the rights, duties and obligations of the Bank and the Trustee thereunder.

### The Letter of Credit

The Letter of Credit, which is issued in connection with the 2001 Bonds, is irrevocable, and shall be issued in an original stated amount of \$7,068,000, of which \$7,000,000 shall be with respect to the principal of the 2001 Bonds or the portion of the Purchase Price corresponding to the principal thereof, and \$68,000 shall be with respect to up to thirty-five (35) days of accrued interest with respect to the 2001 Bonds or in the case of the portion of the Purchase Price corresponding to interest at the Maximum Rate. The Letter of Credit shall be issued to the Trustee for the account of the Mortgagor. The stated amount of the Letter of Credit shall be reduced after the date of issuance in amounts equal to the amount of any drawing thereunder, subject to reinstatement as described below.

The Letter of Credit will terminate upon the earliest of: (i) the honoring of the final drawing available to be made under the Letter of Credit which is not subject to reinstatement; (ii) receipt by the Bank of a written notice that either no 2001 Bonds remain Outstanding and unpaid or a substitute Credit Facility has been received by the Trustee; (iii) the conversion of the interest borne by the 2001 Bonds from a Daily Rate or a Weekly Rate to a Flexible Rate, a Term Rate or the Fixed Rate; or (iv) July 15, 2003, the Letter of Credit expiration date, unless extended.

### The Credit Agreement

Issuance of the Letter of Credit. The Mortgagor has requested the issuance by the Bank of the Letter of Credit to enhance the marketability of the 2001 Bonds by securing a source of funds to be devoted exclusively to the payment by the Trustee, when and as due, of the principal or Purchase Price of and interest on the 2001 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 has agreed to pay fees to the Bank in connection with the issuance and maintenance of the Letter of Credit and to indemnify the Bank in certain circumstances.

The Mortgagor agrees to reimburse the Bank in full for drawings made upon the Letter of Credit on the date each drawing is honored, or in the case of a drawing to acquire unremarketed 2001 Bonds, on the earliest to occur of (i) fifteen (15) days after the date upon which such drawing was honored by the Bank or (ii) the Letter of Credit expiration date or (iii) the date of redemption or remarketing of the unremarketed 2001 Bonds.

Reduction. Upon the payment by the Bank of a drawing to pay principal on the 2001 Bonds (upon maturity, acceleration or redemption, but not to acquire unremarketed 2001 Bonds), the amount available to be drawn under the Letter of Credit for payment of principal on the 2001 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 2001 Bonds upon maturity, acceleration or redemption, the amount available to be drawn under a Letter of Credit for payment of interest on the 2001 Bonds shall be reduced automatically and permanently during a Weekly Rate Period or a Daily Rate Period, in an amount equal to thirty-five (35) days' interest, in each case, 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 2001 Bonds.

Upon payment by the Bank of a drawing to pay interest on the 2001 Bonds (other than interest on Pledged Bonds and on 2001 Bonds paid upon maturity, acceleration or redemption), the amount available to be drawn under the Letter of Credit for the payment of interest on the 2001 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.

Upon payment by the Bank of a drawing to acquire unremarketed 2001 Bonds, the stated amount of the Letter of Credit shall be reduced automatically, subject to reinstatement, as described below.

Reinstatement. The amount available to be drawn under the Letter of Credit for payment of interest on the 2001 Bonds shall be reinstated automatically in the full amount of the amount so drawn (other than such amounts pertaining to a drawing to pay interest on 2001 Bonds paid with a drawing to pay principal on the 2001 Bonds upon maturity, acceleration or redemption) immediately following payment of such drawing.

The amount available to be drawn under the Letter of Credit to acquire unremarketed 2001 Bonds will be reinstated upon receipt by the Bank of (i) an amount by which the Bank is then requested to increase such amount (as to interest and/or principal); and (ii) notice from the Trustee in the appropriate form, unless prior to receipt by the Bank of such notice, the Trustee shall have received from the Bank notice or telephonic notice, promptly confirmed in writing, of the occurrence of an event of default under the Credit Agreement.

Events of Default: Each of the following events, among others, shall be an event of default under the Credit Agreement:

(i) a default after the expiration of any applicable grace and cure periods in the payment of any Letter of Credit fee or other amount required to be paid under the Credit Agreement or any of the other Credit Facility Documents;

(ii) an "Event of Taxability" shall occur which term is defined under the Credit Agreement to be any event the result of which is that interest on the 2001 Bonds shall not be excludable from gross income for Federal income tax purposes, other than by reason of any 2001 Bonds being held by a person who, within the meaning of Section 147(a) of the Code is a substantial user of the premises and the improvements (the "Improvements") to be constructed in connection with the Project, or is a related person, within the meaning of Section 147(a);

(iii) any survey required or requested by the Agent shows any material adverse condition not approved by the Agent and such condition is not removed within the applicable time period after notice by the Agent to the Mortgagor;

(iv) the Improvements are not completed in accordance with the provisions of the Credit Agreement on or before the completion date specified therein as such date may be extended thereunder;

(v) construction of the Improvements is suspended for a period of twenty (20) consecutive Business Days (other than by reason of the occurrence of an event of force

majeure), or if in the reasonable judgment of the Agent or a construction consultant to be retained pursuant to the terms of the Credit Agreement, construction of the Improvements is not carried on with reasonable diligence;

(vi) the Mortgagor fails to obtain and maintain a partial exemption from real property taxes for the Improvements as required by the Credit Agreement;

(vii) the Mortgagor fails to provide or maintain certain additional security for the Mortgagor's obligations under the Credit Agreement;

(viii) the Mortgagor shall fail to cover any Construction Loan Project Cost Deficiency or any Non-Qualified Cost Deficiency (as such terms are defined in the Credit Agreement) in the manner and within the time period specified in the Credit Agreement;

(ix) the Mortgagor executes any chattel mortgage or other security agreement with respect to any materials, equipment, furniture or fixtures used in the construction of the Improvements or the operation of the Improvements or with respect to any articles of personal property constituting part of the Project, or if any such materials, equipment, furniture, fixtures or articles of personal property are not substantially in accordance with the plans and specifications or are leased or purchased pursuant to any conditional sales contract or other security agreement or otherwise so that the ownership thereof will not vest unconditionally in Mortgagor free from encumbrances upon being made a part of the Project;

(x) the Mortgagor shall fail to comply with any financial covenants specified in the Credit Agreement in all respects at any time during the term of the Credit Facility and for so long as such financial covenants are in effect;

(xi) any Credit Facility Document shall cease to be in full force or effect or shall cease to constitute, or to continue as, a lien on the assets, property or collateral purported to be encumbered thereby, and such default has not been cured within twenty (20) Business Days after notice thereof by the Agent to the Mortgagor;

(xii) any person guaranteeing payment or performance of the obligations under any Credit Facility Documents shall disclaim any obligations pursuant to any such guaranty or shall otherwise be in default under any such guaranty beyond applicable grace and cure periods;

(xiii) the Mortgagor or the Guarantor shall be the subject of a voluntary or involuntary bankruptcy proceeding or any similar type of insolvency proceeding with respect to the Mortgagor or the Guarantor;

(xiv) the Mortgagor shall sell, assign or transfer the Project or any part thereof or if a transfer or change of Mortgagor occurs, in whole or in part, without the prior written consent of the Bank;

(xv) the Mortgagor shall make any misrepresentation of any representation or warranty made in the Credit Agreement or the Credit Facility Documents;

(xvi) the Mortgagor shall be in default under the terms of the (A) HPD Commitment, (B) the HDC Permanent Commitment, (C) the HPD Regulatory Agreement between The City of New York, acting through HPD, and the Mortgagor, or (D) the Additional Mortgage; or

(xvii) any other default shall have occurred and be continuing beyond any applicable grace and cure period under the Credit Agreement or any of the Credit Facility Documents, the Resolution or any other agreement executed and delivered in connection with the 2001 Bonds or any other note made by the Mortgagor in favor of the Bank.

Remedies. During the continuance of any such default, the Bank may do any or all of the following:

(i) declare the indebtedness evidenced and secured by the Mortgage Note and the Mortgage immediately due and payable;

(ii) give notice to the Trustee that an event of default under the Credit Agreement has occurred and direct the Trustee to (a) accelerate the 2001 Bonds and call such outstanding 2001 Bonds for redemption in whole or in part in accordance with the Resolution (such redemption to be effected with the proceeds of a draw under a Letter of Credit); (b) cause a purchase of the 2001 Bonds in whole or in part in accordance with the Resolution (such purchase to be effected with the proceeds of a draw under a Letter of Credit); (c) cease making disbursements to the Mortgagor from the Bond Proceeds Account; or (d) take such actions as are permitted by the Resolution and the Credit Facility Documents;

(iii) demand immediate payment of any amounts due or to become due under the Credit Facility Documents;

(iv) take possession and control of the Project, whereupon the Bank may discontinue or complete construction of the affected Project, at the Mortgagor's expense; and/or

(v) pursue any other action available under the Credit Facility Documents (subject to the terms and provisions of the Assignment), at law or in equity.

The Bank shall have sole discretion as to which, if any, of the foregoing remedies will be exercised by the Bank. Accordingly, an event of default under the Credit Agreement may not result in an Event of Termination under the Resolution.

The following are definitions of certain terms contained in the Credit Agreement.

“Additional Mortgage” means, collectively, the HPD Subordinate Building Loan Mortgage, Assignment of Leases and Rents and Security Agreement and the HPD Subordinate Acquisition Mortgage, Assignment of Leases and Rents and Security Agreement, which in the aggregate secure two notes in the amount of \$3,495,851 during construction of the Project.

“Agent” means The Chase Manhattan Bank, in its capacity as agent and servicer for the Lenders under the Credit Facility Documents.

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

“Guaranty” means certain guaranty obligations of guarantors set forth in a guaranty agreement, dated as of the date of initial issuance of the 2001 Bonds, executed for the benefit of the Lenders.

“HDC Permanent Commitment” means the commitment of the Corporation to provide permanent financing in an amount of not less than \$3,670,000.

“HPD Commitment” means the commitment of HPD to provide, among other things, permanent financing in an amount of not less than \$4,240,000.

“Lender” or “Lenders” means The Chase Manhattan Bank, and any other lenders who from time to time become lenders pursuant to the Credit Agreement.

## **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 2001 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 2001 Bonds, or in any way impair the rights and remedies of such owners until the 2001 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 2001 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 2001 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"), except that no opinion is expressed as to such exclusion of interest on any 2001 Bond for any period during which such 2001 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2001 Bonds or a "related person," and (ii) interest on the 2001 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. 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 (as defined in the Resolutions) and others, in connection with the issuance of the 2001 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 2001 Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under existing statutes, interest on the 2001 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 2001 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, fact 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 2001 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 2001 Bonds for purposes of Federal income taxation requires that (i) at least twenty-five percent (25%) of the units in the Project financed by the 2001 Bonds be occupied during the "Qualified Project Period" (as defined in this paragraph) by individuals whose incomes, determined in a manner consistent with Section 8 of the 1937 Housing Act, do not exceed 60% of the median income for the area, as adjusted for family size, and (ii) all of the units of the Project be rented or available for rental on a continuous basis during the Qualified Project Period. "Qualified Project Period" for the Project means a period commencing upon the later of (a) occupancy of 10% of the units in the Project or (b) the date of issue of the 2001 Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the Project, (ii) the first date on which no tax-exempt private activity bonds issued with respect to the Project are outstanding or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the 1937 Housing Act terminates. The Project

will meet the continuing low income requirement as long as an individual's income does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the Project must be rented to an individual having an income of 60% or less of the area median income.

In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2001 Bonds, the Treasury Regulations provide that the exclusion of interest on the 2001 Bonds from gross income for Federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

#### Compliance and Additional Requirements

In addition, the Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2001 Bonds in order that interest on the 2001 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 proceeds of the 2001 Bonds, yield and other limits regarding investments of the proceeds of the 2001 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 permitted by law necessary or desirable in order to assure that interest paid on the 2001 Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into a Regulatory Agreement with the Mortgagor 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 2001 Bonds is payable.

#### Certain Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2001 Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 2001 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2001 Bonds.

As noted above, interest on the 2001 Bonds is a preference item in determining the tax liability of individuals, corporations and other taxpayers subject to the alternative minimum tax imposed by Section 55 of the Code.

Prospective owners of 2001 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 certain foreign corporations), financing institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2001 Bonds may 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 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 2001 Bonds will not have an adverse effect on the tax-exempt status or market price of the 2001 Bonds.

## **NO LITIGATION**

### ***The Corporation***

At the time of delivery and payment for the 2001 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 Bonds, or in any way contesting or affecting the validity of the 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 monies or security provided for the payment of the Bonds, or the existence or powers of the Corporation.

### ***The Mortgagor***

At the time of delivery and payment for the 2001 Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate substantially to the effect that there is no litigation of any nature now pending, or to the knowledge of its partners, managing members, shareholders or officers, as applicable, threatened against the Mortgagor restraining or enjoining the sale, execution or delivery of the 2001 Bonds, or in any way contesting or affecting the validity of the 2001 Bonds, any proceedings of the Mortgagor taken with respect to the sale, execution or delivery thereof, its existence or powers, or the application of any moneys or security provided for the payment of the 2001 Bonds.

## **CERTAIN LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the 2001 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 Corporation by its General Counsel. Certain legal matters will be passed upon for the Mortgagor by its counsel, Hirschen & Singer, New York, New York. Certain legal matters will be passed upon for the Bank by its counsel, O'Sullivan, 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.

## **LEGALITY OF 2001 BONDS FOR INVESTMENT AND DEPOSIT**

Under the provisions of Section 662 of the Act, the 2001 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 2001 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 may hereafter be authorized.

## **RATING**

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., has assigned to the 2001 Bonds a rating of "AA/A-1+". 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 downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. A downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2001 Bonds.

## **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 2001 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 2001 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 2001 Bond.

Additional information may be obtained from the undersigned at 110 William Street, New York, New York 10038 (212) 227-5500.



DEFINITIONS OF CERTAIN TERMS

This Appendix A contains definitions of certain terms contained in the Resolution and Credit Agreement and should be read as describing the terms used in each document individually. This Appendix A does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution and Credit Agreement, 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 2001 Bonds, authorized pursuant to the Resolution.

“Administrative Fee” means the servicing fee of the Corporation in the amount set forth in the Construction Financing Commitment and Agreement between the Corporation and the Mortgagor, to commence one year after the date of receipt of a temporary certificate of occupancy for the Project, 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, if a Credit Facility is then in effect, (iv) which shall expire not earlier than a date which is 15 days after an Interest Payment Date for the Bonds, and (v) issued on substantially similar terms and conditions with respect to the rights of the owners of the Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Credit Facility, provided that (a) the stated amount of the Alternate Security shall equal the sum of (x) the aggregate principal amount of Bonds at the time Outstanding, plus (y) during a Weekly Rate Period or Daily Rate Period, an amount at least equal to 35 days of interest (at the Maximum Rate) on all Bonds at the time Outstanding, or such other amount as the Corporation shall determine based on then current rating agency standards, or during a Flexible Rate Period, an amount at least equal to 275 days of interest (at the Maximum Rate) on all Bonds at the time Outstanding, or such other amount as the Corporation shall determine based on then current rating agency standards, or during a Term Rate Period or the Fixed Rate Period, such amount of interest as the Corporation shall determine based on then current rating agency standards, and (b) if said Alternate Security is to be in effect during a Weekly Rate Period or Daily Rate Period, it must provide for payment of the Purchase Price upon the exercise by any Bond owner of the applicable Demand Purchase Option.

“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, Executive Vice 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, any general partner 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 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, Assistant Vice President, Trust Officer 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 91 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 91 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. Notwithstanding the foregoing, (a) when used with respect to amounts due in respect of Pledged Bonds, the term “Available Moneys” shall mean any amounts held by the Trustee and the proceeds of the investment thereof, except for moneys drawn under a Credit Facility and (b) during any period in which no Credit Facility is in effect, “Available Moneys” shall mean any moneys.

“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 Market Association Municipal Swap Index<sup>™</sup>” means the rate equal to the index of the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors.

“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 June 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 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 2001 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.

“Change Date” means (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Issuer pursuant to the provisions of the Resolution for carrying out a purchase of 2001 Bonds pursuant to the Resolution or (iv) a date specified by the Corporation pursuant to the provisions of the Resolution for carrying out a purchase of 2001 Bonds pursuant to 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 and Purchase Price, if applicable, of the Bonds.

“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.

“Daily Rate” means the rate of interest on the 2001 Bonds described in “DESCRIPTION OF THE 2001 BONDS -- Daily Rate Period”.

“Daily Rate Period” means any period of time during which the 2001 Bonds bear interest at the Daily Rate.

“Daily Rate Term” means, with respect to the 2001 Bonds, earning interest at the Daily Rate, the period from and commencing on a Business Day and including and ending on the first day preceding the first Business Day thereafter.

“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.

“Demand Purchase Option” means during a Weekly Rate Period or Daily Rate Period, the provision of the 2001 Bonds for purchase of any such Bond upon the demand of the owner thereof as described in the Resolution.

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

“Facility Change Date” means (i) any date on which a new Credit Facility replaces the prior Credit Facility, or (ii) any date on which the Credit Facility terminates or expires and is not extended or replaced by a new Credit Facility; provided, however, that if, in connection with the issuance of Additional Bonds, an existing Credit Facility is replaced by a Credit Facility issued by the same Credit Issuer that had issued the then existing Credit Facility and such replacement Credit Facility is issued on substantially identical terms and conditions with respect to the rights of the owners of the Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Credit Facility with respect to the Bonds, except that the stated amount of such replacement Credit Facility shall reflect the issuance of such Additional Bonds, then no Facility Change Date shall be deemed to have occurred as a result of such replacement so long as such replacement does not result in the reduction or withdrawal of the then existing rating(s) on the Bonds by the national rating agency or agencies then rating the Bonds.

“Fixed Rate” means the lowest interest rate or rates, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 2001 Bonds on the date designated by the Mortgagor pursuant to the Loan Agreement being one hundred percent (100%) of the principal amount thereof.

“Fixed Rate Conversion Date” means the date of commencement of the Fixed Rate Period.

“Fixed Rate Period” means any period of time during which the 2001 Bonds bear interest at the Fixed Rate.

“Flexible Rate” means, with respect to any particular 2001 Bond during a Flexible Rate Term, the rate of interest described in “DESCRIPTION OF THE 2001 BONDS -- Flexible Rate Period” given the applicable Flexible Rate Term for such 2001 Bond.

“Flexible Rate Period” means any period of time during which the 2001 Bonds bear interest at the Flexible Rate.

“Flexible Rate Start Date” means the date designated by the Mortgagor pursuant to the Loan Agreement, with the written consent of the Credit Issuer, for the commencement of a Flexible Rate Term.

“Flexible Rate Term” means, with respect to any particular 2001 Bond earning interest at the Flexible Rate, the period commencing on the Flexible Rate Start Date and ending not more than 270 days thereafter, selected by the Mortgagor, with the consent of the Credit Issuer, as the Flexible Rate Term with respect to such Bond.

“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 Adjustment Date” means the day immediately following the last day of a Flexible Rate Term or Term Rate Term, as the case may be, as provided in the Resolution.

“Interest Method Change Date” means any date on which the method of determining the interest rate on the 2001 Bonds changes or which is an Interest Adjustment Date pursuant to the Resolution, as established by the terms and provisions of the Resolution.

“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, or (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.

“Letter of Credit” means the irrevocable direct-pay letter of credit issued by The Chase Manhattan Bank, in favor of the Trustee, securing the 2001 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 Construction Loan Agreement, dated as of the date of initial issuance of the 2001 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.

“Mandatory Purchase Provision” means the purchase provision of the 2001 Bonds for the purchase of any 2001 Bonds on any Change Date pursuant to the Resolution.

“Maximum Rate” means ten percent (10%) per annum or such higher rate, not to exceed fifteen percent (15%), as may be established in accordance with the provisions of the Resolution.

“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 2001 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 Fox Street Apartments L.P., a limited partnership 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 for the Project and the owner of the Project, and its successors and permitted transferees.

“Mortgagor Tax Certification” means, with respect to a Series of Bonds to which the tax covenants of the Resolution are applicable, the tax certification of the Mortgagor delivered to the Corporation and Bond Counsel in connection with the issuance of such Series of Bonds.

“Notice of Prepayment of the Mortgage Loan” means the notice delivered to the Trustee by the Corporation pursuant to the provisions of the Resolution with respect to the Mortgagor's election to prepay, in full, the Mortgage Loan during any Weekly Rate Period or Daily Rate Period.

“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, except during a Weekly Rate Period or Daily Rate Period, 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 (at the applicable Flexible Rate or Rates during a Flexible Rate Period or at the Term Rate or the Fixed Rate during a Term Rate Period or the Fixed Rate Period, respectively) 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 the Section of the Resolution entitled “Defeasance”, 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 (at the applicable Flexible Rate or Rates during a Flexible Rate Period or at the Term Rate or the Fixed Rate during a Term Rate Period or the Fixed Rate Period, respectively) 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.

“Pledge Agreement” means any instrument from the Mortgagor to the Credit Issuer (and which may include other parties) pursuant to which the Mortgagor agrees to pledge 2001 Bonds to the Credit Issuer (and, if applicable, such other parties) in connection with the provision of moneys under a Credit Facility.

“Pledged Bond” means any 2001 Bond pledged to the Credit Issuer pursuant to the Pledge Agreement in connection with the provision of moneys under the Credit Facility and as described in the Resolution.

“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 First Union National Bank, 1 World Trade Center, Suite 4711, New York, New York 10048, Attention: Corporate Trust Division, when used with respect to the Tender Agent shall mean First Union National Bank, at the same address as that of the Trustee, or the address of any successor Tender Agent appointed in accordance with the terms of the Resolution, and when used with respect to the Remarketing Agent shall mean Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004 or such other offices designated to the Corporation in writing by the Trustee, Tender Agent or Remarketing Agent, as the case may be.

“Project” means the multi-family rental housing development located at 725 and 737 Fox Street in the Borough of The Bronx, County of Bronx, City and State of New York.

“Purchase Price” means an amount equal to 100% of the principal amount of any 2001 Bond plus accrued and unpaid interest thereon to the date of purchase.

“Rebate Amount” means, with respect to a particular Series of Bonds to which the tax covenants of the Resolution are applicable, the amount, if any, required to be deposited in the Rebate Fund in order to comply with the covenant contained in the Resolution.

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

“Record Date” means (i) during any Weekly Rate Period, Daily Rate Period or Flexible Rate Period, the Business Day immediately preceding any Interest Payment Date, and (ii) during any Term Rate Period or the Fixed Rate Period, that day which is the fifteenth (15th) 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 2001 Bonds, by and between the Corporation and the Mortgagor, as the same may be amended, restated or supplemented from time to time.

“Remarketing Agent” means, with respect to the 2001 Bonds, Goldman, Sachs & Co. and its successors appointed in accordance with the terms of the Resolution.

“Remarketing Agreement” means with respect to the 2001 Bonds, the Remarketing Agreement, dated as of the date of initial issuance of the 2001 Bonds, by and among the Mortgagor, the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any replacement thereof.

“Resolution” means the Multi-Family Mortgage Revenue Bonds (Fox Street Project) Bond Resolution adopted by the Corporation on June 12, 2001 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 2001 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, and (v) issued on substantially identical terms and conditions with respect to the rights of the owners of the Bonds (including, but not limited to, the Mandatory Purchase Provision) 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 (x) the aggregate principal amount of Bonds at the time Outstanding, plus (y) during a Weekly Rate Period or Daily Rate Period,

an amount equal to at least 35 days of interest (at the Maximum Rate) on all Bonds at the time Outstanding, or such other amount as the Corporation shall determine based on then current rating agency standards, or during a Flexible Rate Period, an amount at least equal to 275 days of interest (at the Maximum Rate) on all Bonds at the time Outstanding, or such other amount as the Corporation shall determine based on then current rating agency standards, or during a Term Rate Period or the Fixed Rate Period, 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.

“Tender Agent” means First Union National Bank, a national banking association, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party, or any successor Tender Agent appointed in accordance with the terms of the Resolution.

“Tender Agent Agreement” means the agreement among the Trustee, as Trustee and Tender Agent, the Corporation, the Mortgagor and the Remarketing Agent, dated as of the date of initial issuance of the 2001 Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

“Term Rate” means the rate of interest on the 2001 Bonds during a Term Rate Period, as provided in the Resolution.

“Term Rate Period” means any period of time during which the 2001 Bonds bear interest at the Term Rate.

“Term Rate Start Date” means the date designated by the Mortgagor pursuant to the Loan Agreement, with the written consent of the Credit Issuer, for the commencement of a Term Rate Term.

“Term Rate Term” means, with respect to the 2001 Bonds earning interest at the Term Rate, the period commencing on the Term Rate Start Date and ending on the day preceding (i) the six (6) month anniversary thereof or (ii) such later anniversary as corresponds to the integral multiple of six (6) months selected by the Mortgagor, with the consent of the Credit Issuer, as the Term Rate Term.

“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.

“2001 Bonds” means the initial Series of Bonds authorized to be issued pursuant to the Resolution.

“Undelivered Bonds” means (i) with respect to the Mandatory Purchase Provision, any 2001 Bonds which have not been delivered to the Tender Agent for purchase on or prior to the applicable Change Date, or (ii) with respect to the Demand Purchase Option, any 2001 Bonds not delivered to the Tender Agent for purchase after notice of tender within the time period prescribed by the Resolution.

“Weekly Effective Rate Date” means (i) with respect to the Weekly Rate Term immediately following the issuance and delivery of the 2001 Bonds, the date of such issuance and delivery, (ii) with respect to any Weekly Rate Term following another Weekly Rate Term, Wednesday of any week and (iii) with respect to a Weekly Rate Term that does not follow another Weekly Rate Term, the Interest Method Change Date with respect thereto.

“Weekly Rate” means the rate of interest on the 2001 Bonds, described in “DESCRIPTION OF THE 2001 BONDS -- Weekly Rate Period.”

“Weekly Rate Period” means any period of time during which the 2001 Bonds bear interest at the Weekly Rate.

“Weekly Rate Term” means, with respect to any particular 2001 Bond, the period commencing on a Weekly Effective Rate Date and terminating on the earlier of the last calendar day prior to the Weekly Effective Rate Date of the following Weekly Rate Term, or the last calendar day prior to a Change Date.

“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.

**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 April 30, 2001, the Corporation had bonds and notes outstanding in the aggregate principal amount of approximately \$2,480,428,886.76 for these purposes. All outstanding principal amounts of bonds and notes listed below are as of April 30, 2001 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 January 20, 1989, the Corporation issued its \$10,000,000 Variable Rate Demand Bonds (Upper Fifth Avenue Project), 1989 Series A, of which \$4,900,000 is outstanding, to finance a 151-unit project in Manhattan. On December 30, 1998, the Corporation issued its \$89,000,000 Multi-Family Mortgage Revenue Bonds (Related-Broadway Development), 1998 Series A and 1998 Series B, all of which are outstanding, to finance a 285-unit project in Manhattan. On December 17, 1999, the Corporation issued its \$60,400,000 Multi-Family Mortgage Revenue Bonds (West 54<sup>th</sup> Street Development), 1999 Series A and 1999 Series B, all of which are outstanding, to finance a 222-unit project in Manhattan which is presently under construction. On June 29, 2000, the Corporation issued its federally taxable \$72,100,000 Multi-Family Mortgage Revenue Bonds (West 26<sup>th</sup> Street Development), 2000 Series A, all of which are outstanding, to finance a 356-unit project in Manhattan which is presently under construction. On December 19, 2000, the Corporation issued its \$56,000,000 Multi-Family Mortgage Revenue Bonds (Related-15<sup>th</sup> Street Development), 2000 Series A, all of which are outstanding, to finance a 213-unit project in Manhattan which is presently under construction.

On April 6, 1994, the Corporation issued its \$28,000,000 Multi-Family Mortgage Revenue Bonds (James Tower Development), 1994 Series A, of which \$23,100,000 is outstanding, to refinance a 200-unit building located on the west side of Manhattan and to refund the bonds previously issued by the Corporation to finance this project.

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 October 5, 1999, the Corporation issued its \$3,000,000 Multi-Family Mortgage Revenue Bonds (Harmony House Project), 1999 Series A, all of which are outstanding, to finance a 55-unit development in Manhattan. On October 5, 1999, the Corporation issued its \$1,300,000 Multi-Family Mortgage Revenue Bonds (Sullivan Street Project), 1999 Series A, all of which are outstanding, to finance a 20-unit development in Brooklyn. On June 8, 2000, the Corporation issued its \$3,400,000 Multi-Family Mortgage Revenue Bonds (St. Ann's Apartments), 2000 Series A, all of which are outstanding, to finance a 60-unit project in Bronx County. On June 22, 2000, the Corporation issued its \$6,000,000 Multi-Family Mortgage Revenue Bonds (Spring Creek IV Project), 2000 Series A, all of which are outstanding, to finance an 83-unit development in

Brooklyn. On June 22, 2000, the Corporation issued its \$5,800,000 Multi-Family Mortgage Revenue Bonds (Intervale II Project), 2000 Series A, all of which are outstanding, to finance an 80-unit development in Bronx County. On June 27, 2000, the Corporation issued its \$2,400,000 Multi-Family Mortgage Revenue Bonds (Sackman Street Project), 2000 Series A, all of which are outstanding, to finance a 38-unit development in Brooklyn. On August 10, 2000, the Corporation issued its \$1,600,000 Multi-Family Mortgage Revenue Bonds (East 116<sup>th</sup> Street Project), 2000 Series A, all of which are outstanding, to finance a 23-unit development in Manhattan. On December 14, 2000, the Corporation issued its \$2,800,000 Multi-Family Mortgage Revenue Bonds (Linden Mews Project), 2000 Series A, all of which are outstanding, to finance a 39-unit development in Brooklyn. On December 15, 2000, the Corporation issued its \$6,700,000 Multi-Family Mortgage Revenue Bonds (Marmion Avenue Project), 2000 Series A, all of which are outstanding, to finance a 90-unit development in Bronx County. On December 28, 2000, the Corporation issued its \$9,000,000 Multi-Family Mortgage Revenue Bonds (Ogden Avenue Project), 2000 Series A, all of which are outstanding, to finance a 120-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 \$22,170,000 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 \$17,475,000 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 \$36,615,000 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 \$147,500,000 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 \$53,120,000 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 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 89<sup>th</sup> 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.

(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 \$5,475,000 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, all of which are 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 \$33,400,000 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, all of which are 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 \$11,815,000 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 \$16,550,000 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, all of which are 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 \$8,395,000 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 1980, tax-exempt obligations in the aggregate principal amount of \$488,859,800 were issued and secured by mortgage loans insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934, as amended, of which \$375,233,886.76 is outstanding 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 \$287,863,886.76 is outstanding. The security for each series of such bonds is the federally-insured mortgage loans financed thereby. 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 (“Section 236”). 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 February 6, 1991, the Corporation issued its \$103,560,000 Multi-Unit Mortgage Refunding Bonds (FHA Insured Mortgage Loans), 1991 Series A, of which \$87,370,000 is outstanding, to refund bonds of the Corporation which had been issued to refinance eight multifamily developments. These bonds are limited obligations of the Corporation, payable solely from and secured by a cross-collateralized pool of FHA-insured mortgage loans, the revenues received on account of such loans and Section 236 subsidy payments. On June 15, 2001, all of these bonds were redeemed with proceeds of the Corporation's Multi-Family Housing Revenue Bonds, 2001 Series B, issued on May 16, 2001, as more fully described below in this Appendix B, Section I (D) "Housing Revenue Bond Resolution Program".

On June 21, 1996, the Corporation commenced loan servicing of thirty-seven permanent mortgage loans with an aggregate outstanding principal balance of \$210,176,085. These 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 April 30, 2001 included a pool of 151 mortgage loans in the aggregate (which pool contained FHA-insured mortgage loans, SONYMA insured mortgage loans, GNMA mortgage-backed securities and other 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 August 12, 1993, the Corporation issued its \$130,000,000 Multi-Family Housing Revenue Bonds, 1993 Series A and 1993 Series B, of which \$116,115,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1979 Series A; its Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1983 Series A; its Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1983 Series B; and its Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1983 Series C.

On October 13, 1994, the Corporation issued its \$6,500,000 Multi-Family Housing Revenue Bonds, 1994 Series A, of which \$5,425,000 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 \$21,595,000 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 \$169,970,000 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 \$23,115,000 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 multi-family rental housing developments.

On October 15, 1997, the Corporation issued its \$30,000,000 Multi-Family Housing Revenue Bonds, 1997 Series C, of which \$27,105,000 is outstanding, to finance permanent mortgage loans in connection with the construction or rehabilitation of forty multi-family rental housing developments.

On May 21, 1998, the Corporation issued its \$57,800,000 Multi-Family Housing Revenue Bonds, 1998 Series A, all of which are 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, all of which are 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 \$64,200,000 is outstanding, to finance construction and/or permanent loans in connection with the development of approximately six multi-family housing projects, of which two construction loans and four permanent loans have been made as of April 30, 2001.

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, all of which are outstanding, to finance construction and/or permanent loans in connection with the development of approximately eight multi-family housing projects, of which two construction loans and five permanent loans have been made as of April 30, 2001. One of these permanent loans 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 \$17,665,000 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, all of which are outstanding, to finance a construction and permanent loan in connection with the development of a senior housing facility to be known as Ryan Village Condominium being constructed 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, all of which are 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 approximately six multi-family housing projects, of which two construction loans have been made as of April 30, 2001. Two permanent loan increases were also made with the 2000 Series B proceeds for two 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, all of which are 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, within 90 days of the issuance of the 2001 Series B Bonds, all of the Corporation's outstanding Multi-Unit Mortgage Refunding Bonds (FHA Insured Mortgage Loans), 1991 Series A.

**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 April 30, 2001 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 Memoranda of Understanding ("MOUs") with the City, acting through HPD, the Corporation has provided interim assistance in the form of an unsecured, interest-free loan to (i) 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 and (ii) Hope Community, Inc. in the amount of \$238,920 to fund certain expenses associated with a project being developed through HPD's 85/85 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 sponsored by HPD through its 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 April 30, 2001, the Corporation was servicing construction and permanent loans in the approximate face amount of \$1,392,459,799.00.

(4) Participation Loan Program. The Corporation established a program to make mortgage loans in an aggregate amount not to exceed \$7,700,000 for the rehabilitation of certain multiple dwelling projects pursuant to the provisions of Article XV of the New York State 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. Four loans have been made by the Corporation under this program.

**III. AFFORDABLE HOUSING PERMANENT LOAN PROGRAM.** The Corporation has established a program to make permanent loans for projects constructed or rehabilitated in conjunction with HPD loan programs. All of the 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.** The Corporation has established a program to make construction and permanent loans for developments intended to house low and moderate income tenants. The developments also receive subordinate loans from the Corporation.

All of 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 and 2000 Series B as described in this Appendix B, *Section I (D) "Housing Revenue Bond Resolution Program"*, and/or other monies of the Corporation.

**PROPOSED FORM OF BOND COUNSEL OPINION**

Upon delivery of the Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 Series A, 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 \$7,000,000 Multi-Family Mortgage Revenue Bonds (Fox Street Project), 2001 Series A (the "2001 Bonds") of the New York City Housing Development Corporation (the "Corporation"), a corporate governmental agency, constituting a public benefit corporation of the State of New York (the "State"), 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 2001 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Mortgage Revenue Bonds (Fox Street Project) Bond Resolution of the Corporation, adopted June 12, 2001 (herein called the "Resolution"). The 2001 Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2001 Bonds are dated, mature, are payable, bear interest and are subject to redemption and tender as provided in the Resolution.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2001 Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2001 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 (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 2001 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 2001 Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State, including the Act.

4. The 2001 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 2001 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 2001 Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2001 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 2001 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2001 Bond for any period during which such 2001 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2001 Bonds or a "related person," and (ii) interest on the 2001 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. 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 Resolutions) and others, in connection with the 2001 Bonds, and we have 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 2001 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2001 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 2001 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 2001 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 2001 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 2001 Bond and in our opinion the form of said Bond and its execution are regular and proper.



Very truly yours,