

NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 2001A Bonds is not included in 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 the exclusion of interest of any 2001A Bond for any period during which such 2001A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (a) a "substantial user" of the facilities financed with the proceeds of the 2001A Bonds or (b) a "related person." The interest on the 2001A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on 2001A Bonds, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, under existing statutes, interest on the 2001A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.

\$10,800,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments),
2001 Series A

Dated: Date of Delivery

Price: 100%

Due: April 1, 2031

The 2001A Bonds will be issued as fully registered bonds in the initial denomination of \$100,000 or any whole multiple of \$100,000 and will be issued in book-entry form only, in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on and principal of the 2001A Bonds will be payable by the Trustee to Cede & Co., as nominee of DTC. Purchasers of the 2001A Bonds will not receive physical delivery of bond certificates. The 2001A Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein. United States Trust Company of New York, New York, New York, is the Trustee with respect to the 2001A Bonds.

The 2001A Bonds are being issued to fund a mortgage loan to the Mortgagor for the purpose of refunding the Corporation's outstanding 1989 Bonds, as defined herein, and refinancing a 296-unit multi-family rental housing development located at 54-09 100th Street and 54-39 100th Street in the Borough of Queens, New York (the "Project"). The Project is owned by Queenswood Associates, L.P., a Delaware limited partnership (the "Mortgagor") and was originally financed with bonds issued by the New York City Housing Development Corporation (the "Corporation"). The 2001A Bonds are special revenue obligations of the Corporation payable from various sources as provided in the Resolution. Payments of principal and interest on the Mortgage Loan and payments of Purchase Price on the Bonds will be secured by the direct pay credit enhancement agreement (the "Initial Credit Facility") dated as of March 21, 2001 between the Trustee and Federal Home Loan Mortgage Corporation ("Freddie Mac").

FREDDIE MAC

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

The 2001A Bonds are being issued as variable rate obligations which will bear interest from their date of issue to and including March 27, 2001, at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2001A Bonds. Thereafter, the 2001A Bonds will bear interest at the Weekly Rate, as determined 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," with respect to 2001A Bonds bearing interest at the Weekly Rate, means the first Business Day of each month, commencing April, 2001, each Change Date and the final maturity date of such 2001A Bonds. The 2001A Bonds are subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein.

During the period when the 2001A Bonds bear interest at the Weekly Rate, such 2001A Bonds shall be purchased upon demand by the owner thereof, at a price equal to 100% of the principal amount of such 2001A Bond plus accrued and unpaid interest thereon to but not including the date of purchase, on any Business Day, upon seven (7) day's notice and delivery of a tender notice with respect to such 2001A Bond to United States Trust Company of New York, as the Tender Agent and to the Remarketing Agent, as described herein. The 2001A Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate for such 2001A Bonds. The 2001A Bonds will also be subject to mandatory tender for purchase upon any substitution of the Initial Credit Facility or provision for an Alternate Security. The 2001A Bonds will also be subject to mandatory tender for purchase (as well as redemption prior to maturity) in other circumstances as described herein.

This Official Statement in general describes the 2001A Bonds only while the 2001A Bonds bear interest at the Weekly Rate.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE 2001A BONDS ARE SOLELY AS PROVIDED IN THE INITIAL CREDIT FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE INITIAL CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A CORPORATE INSTRUMENTALITY OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2001A BONDS. THE 2001A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY OTHER AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The 2001A 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 2001A 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 2001A 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 2001A 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 Freddie Mac by its Special Counsel, Ballard Spahr Andrews & Ingersoll, LLP, Washington, DC and by its Associate General Counsel. Certain legal matters will be passed upon for the Mortgagor by its Counsel, Swidler Berlin Shereff Friedman, LLP, Washington, D.C. and by William M. Warren, Esq. and David Berliner, Esq. each as its in-house counsel. Certain legal matters will be passed upon for the Underwriter by its Counsel, Winston & Strawn, New York, New York. It is expected that the 2001A Bonds will be available for delivery in New York, New York on or about March 21, 2001.

Goldman, Sachs & Co.

Dated: March 13, 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 2001A 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, Freddie Mac (in the case of information relating to Freddie Mac under the caption "Freddie Mac"), Queenswood Associates, L.P. (in the case of information contained herein relating to the Mortgagor, any partner of the Mortgagor, the Mortgage Loan and the Project), and other sources which are believed to be reliable but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. 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, Freddie Mac or Queenswood Associates, L.P. since the date hereof.

Freddie Mac has not provided or approved any information in this Official Statement except with respect to the descriptions under the caption "FREDDIE MAC," and takes no responsibility for any other information contained in this Official Statement. Freddie Mac makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to entering into and performing its obligations under the Initial Credit Facility described herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001A 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 2001A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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\$10,800,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Multi-Family Rental Housing Revenue Bonds
(Queenswood Apartments), 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 \$10,800,000 aggregate principal amount of its Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments), 2001 Series A (the "2001A Bonds"). The 2001A Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the "Act"), and pursuant to a resolution entitled "Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments) Bond Resolution" adopted by the Members of the Corporation on December 7, 2000. Such resolution, as amended and supplemented from time to time, is herein referred to as the "Resolution." Pursuant to the Resolution, bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the 2001A Bonds, are herein referred to as the "Bonds." Certain defined terms used herein are set forth in Appendix A hereto.

INTRODUCTION

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

The 2001A Bonds relate to a 296-unit multi-family rental housing development located at 54-09 100th Street and 54-39 100th Street in the Borough of Queens, New York (the "Project"). The Project was originally financed with the Corporation's Multi-Family Mortgage Revenue Bonds (Queenswood Apartments), 1989 Series A (the "1989 Bonds"). The Project is owned by Queenswood Associates, L.P., a Delaware limited partnership (the "Mortgagor"). See "THE PROJECT, THE MORTGAGOR AND THE MANAGING AGENT". The 2001A Bonds are being issued to fund a mortgage loan (the "Mortgage Loan") to the Mortgagor, for the purpose of refunding all of the Corporation's outstanding 1989 Bonds and refinancing the Project.

Concurrently with, and as a condition precedent to, the issuance of the 2001A Bonds, the Corporation will cause to be delivered to United States Trust Company of New York, as trustee (the "Trustee") under the Resolution, an irrevocable direct pay credit enhancement agreement (the "Initial Credit Facility") between the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee. The Initial Credit Facility will permit the Trustee to request and receive advances up to an amount equal to the aggregate principal amount of the 2001A Bonds then Outstanding (when due by reason of acceleration, redemption or stated maturity) plus an amount equal to at least 34 days of interest thereon computed at the Maximum Rate (defined below) on the Outstanding 2001A Bonds, in order to pay the principal and interest on the Mortgage Loan or the Purchase Price (defined below) of the 2001A Bonds. The Initial Credit Facility will be issued pursuant to the provisions of the Reimbursement and Security Agreement dated as of March 21, 2001 (the "Credit Agreement"), between the Mortgagor and Freddie Mac, in its capacity as the provider of the Initial Credit Facility. Pursuant to the Credit Agreement, the Mortgagor will agree to reimburse Freddie Mac for any payments made by Freddie Mac under the Initial Credit Facility. Upon an event of default under the Credit Agreement, Freddie Mac, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 2001A Bonds. See "DESCRIPTION OF THE 2001A BONDS — Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination" and "Redemption of 2001A Bonds — Mandatory -- Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination" and "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT". The Initial Credit Facility will expire on April 6, 2031 unless terminated earlier or extended. See "FREDDIE MAC," "SECURITY FOR THE BONDS — Initial Credit Facility" and "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT" herein. Under certain circumstances, the Corporation or the Mortgagor may replace the Initial Credit Facility with an Alternate Security. See "THE MORTGAGE LOAN AND OTHER

FINANCING” and “SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT” herein.

The Mortgage Note and Mortgage are to be assigned, pursuant to an assignment and intercreditor agreement (the “Assignment”), by the Corporation to the Trustee and Freddie Mac, as their interests may appear, subject to the reservation by the Corporation of certain rights. The Trustee will assign the mortgage rights assigned to it to Freddie Mac. See “SECURITY FOR THE BONDS — Initial Credit Facility.”

The 2001A Bonds are special obligations of the Corporation payable solely from payments under the Mortgage Loan and other Revenues pledged therefor under the Resolution, including any investment earnings thereon, all as provided in and in accordance with the terms of the Resolution. In addition, the 2001A Bonds are payable from amounts obtained under the Initial Credit Facility or any Alternate Security (collectively, the “Credit Facility”), provided in accordance with the terms of the Resolution. See “SECURITY FOR THE BONDS”.

The 2001A Bonds will initially bear interest at the Weekly Rate, to be determined weekly and as otherwise described herein by Goldman, Sachs & Co., in its capacity as remarketing agent for the 2001A Bonds (the “Remarketing Agent”). Under certain circumstances, and with the prior written consent of Freddie Mac, the method of calculating the interest rate borne by the 2001A Bonds may be changed from time to time to a different method provided for in the Resolution or the interest may be converted to a fixed rate to maturity. See “DESCRIPTION OF THE 2001A BONDS.” The 2001A Bonds are subject to a maximum interest rate of fifteen percent (15%) per annum (the “Maximum Rate”).

During any period of time in which the 2001A Bonds bear interest at the Weekly Rate, the 2001A Bonds are subject to purchase at a price equal to 100% of the principal amount of such 2001A Bonds plus accrued and unpaid interest thereon, to but not including, the date of purchase (the “Purchase Price”). Such purchase shall be made upon demand of the owner thereof on any Business Day upon seven days’ prior notice delivered to the Tender Agent and the Remarketing Agent prior to 5:00 p.m., New York City time on any Business Day. The 2001A 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. Payment of the Purchase Price of tendered 2001A Bonds that are not remarketed shall be paid with amounts provided pursuant to the Initial Credit Facility. As more fully described herein, the loss of exclusion of interest on the 2001A Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the 2001A Bonds.

This Official Statement in general describes the 2001A Bonds only while the 2001A Bonds bear interest at the Weekly Rate.

The 2001A 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 2001A 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 2001A Bonds and sources of payment, the Corporation, Freddie Mac, the Mortgagor, the Remarketing Agent, the Project, the Mortgage Loan, the Initial Credit Facility, the Credit Agreement, the Resolution and certain related agreements are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2001A 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. The Mortgagor has covenanted that in the event the Mortgagor exercises its right to convert the interest rate of the 2001A Bonds to a Term Rate or a Fixed Rate, the Mortgagor will, pursuant to rule 15(c)(2)-12 of the Securities and Exchange Act of 1934, execute a continuing disclosure agreement satisfactory to the Corporation and the Remarketing Agent prior to such conversion.

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 of New York. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four members. The Corporation may delegate to one or more of its members, officers, agents or employees such powers and duties as it deems proper.

Members

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

MICHAEL W. KELLY, Member, serving pursuant to law. Until recently, Mr. Kelly was Managing Director of Ambac Capital Corporation and oversaw the financial derivatives and reinvestments 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, Acting Senior Vice President, Development. Mr. Brass recently returned to the Corporation as Acting Senior Vice President, Development, 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 Acting 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 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 to specified private entities; to purchase loans from lending institutions; to make loans insured or coinsured by the federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multifamily 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 2001A Bonds, notes, or other obligations are outstanding.

The sale of the 2001A 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 2001A 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 C — Other Activities of the Corporation."

THE MORTGAGE LOAN AND OTHER FINANCING

The Resolution authorizes the Corporation to issue the 2001A Bonds to provide moneys to finance the Mortgage Loan for the purposes of refinancing the Project. The Corporation and the Mortgagor will enter into a financing agreement (as the same may be amended or supplemented, the “Financing Agreement”), prior to or simultaneously with such issuance of the 2001A Bonds. The Mortgage Loan is to be evidenced by a mortgage note (as the same may be amended or supplemented, collectively, the “Mortgage Note”), which will be in an aggregate principal amount equal to the outstanding principal amount of the 2001A Bonds, executed by the Mortgagor in favor of the Corporation and secured by a mortgage on the Project (as the same may be amended or supplemented, the “Mortgage”). Pursuant to the terms of the Resolution and the Assignment, the Corporation will assign to the Trustee and to Freddie Mac, all of its right, title and interest in the Mortgage Loan, the Mortgage Documents and other assigned documents (except certain reserved rights as described in the Assignment). The Trustee will assign the mortgage rights assigned to it to Freddie Mac.

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 may, at the option of the Credit Facility Provider, result in mandatory tender or redemption, in whole or in part, of the 2001A Bonds. See “DESCRIPTION OF THE 2001A BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination” and “Redemption of 2001A Bonds — Mandatory — Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination” herein. See also “SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT” herein.

The Mortgage Loan is a non-recourse obligation (other than for certain specified occurrences) of the Mortgagor with respect to which its partners have no personal liability and as to which its partners have not pledged any of their respective assets, other than the Project and its rents, profits and proceeds.

At the time of the making of the Mortgage Loan, Freddie Mac will simultaneously purchase a \$1,000,000 conventional loan with a term of approximately seven (7) years and level debt service payments (the “Conventional Loan”) made by Fifth Third Real Estate Capital Markets Co. (the “Seller”) to the Mortgagor. The Conventional Loan will be evidenced by a note (the “Conventional Note”), executed by the Mortgagor in favor of the Seller, and together with the obligations of the Mortgagor under the Credit Agreement, secured by a second mortgage on the Project which mortgage will be subordinate to the Mortgage (the “Reimbursement Mortgage”). The Conventional Loan will be used to fund a \$1,000,000 payment obligation arising from the restructuring of the HAC Subordinate Mortgage Loan, which loan is described below. The Reimbursement Mortgage will not be pledged as a security for the 2001A Bonds.

In addition, at the time of the making of the Mortgage Loan and the Conventional Loan, the Housing Assistance Corporation, a public benefit corporation of the State of New York and a subsidiary of the Corporation (“HAC”) will modify a \$17,929,100 mortgage loan (the “HAC Subordinate Mortgage Loan”) made by HAC to the Mortgagor which HAC Subordinate Mortgage Loan was used at the time of the issuance of the 1989 Bonds to fund a portion of the costs of construction of the Project. The HAC Subordinate Mortgage Loan is evidenced by a note (the “HAC Subordinate Mortgage Note”) and secured by a mortgage (the “HAC Subordinate Mortgage”), both executed by the Mortgagor in favor of HAC. As part of the restructuring, the HAC Subordinate Mortgage Note will be extended to provide for a thirty-five (35) year term and its payment terms modified to require monthly payments of interest to be paid from Project surplus cash (i.e. those funds remaining after payment of the Project’s maintenance and operating costs including debt service on the Mortgage Loan and the Conventional Loan) during the term of the Mortgage Loan. The HAC Subordinate Mortgage, after restructuring, will be subordinate in payment and security to the Mortgage and the Reimbursement Mortgage. The HAC Subordinate Mortgage Loan will not be pledged as security for the 2001A Bonds.

Although the Reimbursement Mortgage and the HAC Subordinate Mortgage Loan are subordinate in payment and security to the Mortgage Loan, an event of default under the Reimbursement Mortgage or the HAC Subordinate Mortgage Loan will constitute an event of default under the Credit Agreement, and in such event Freddie Mac may, at its option, cause a mandatory tender or redemption, in whole or in part, of the 2001A Bonds. See “DESCRIPTION OF THE 2001A BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination” and “Redemption of 2001A Bonds — Mandatory — Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination” herein. See also “SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT — The Credit Agreement -- Events of Default”.

THE PROJECT, THE MORTGAGOR AND THE MANAGING AGENT

The following information has been provided by the Mortgagor for use herein. While the information is believed to be reliable, neither the Corporation, Freddie Mac, the Underwriter, the Remarketing Agent 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 2001A Bonds are being issued to finance a Mortgage Loan to the Mortgagor for the purpose of refinancing the Project.

The Project consists of a 296-unit multi family rental housing facility that includes 40 studio units, 139 one-bedroom units, 102 two-bedroom units and 15 three-bedroom units in two separate eight-floor buildings all of which are required to be made available to low and moderate income households. Fifty-nine units, which include 8 studios, 28 one-bedroom, 20 two-bedroom and 3 three-bedroom units, are required to be made available for occupancy by households of low income. In addition to the residential apartments, the Project consists of related facilities, including parking, laundry, a community room and a landscaped central courtyard/playground.

All units are required to be rented in accordance with the terms of the Amended and Restated Regulatory Agreement, dated as of the date of delivery of the 2001A Bonds between the Mortgagor and the Corporation (the "Regulatory Agreement"). See "TAX MATTERS" herein.

Construction of the Project began in March of 1989 and was completed in May of 1990. Since the commencement of the Project in 1989 the Mortgagor has never failed to make a required debt service payment. For the fiscal years 1998, 1999 and 2000 the occupancy rates for the Project were approximately 96.14%, 98.18% and 98.63%, respectively.

Due to the inherent uncertainty of future events and conditions, including, without limitation, general interest rate levels, no assurance can be given that revenues generated by the Project will continue to be sufficient to pay debt service on the Mortgage Loan, operating expenses of the Project, Freddie Mac fees, Remarketing Agent fees, Trustee and Tender Agent fees, and fees owed to the Corporation. The ability of the Mortgagor to continue to generate sufficient revenues will be affected by a variety of factors including, but not limited to, the maintenance of a sufficient level of occupancy, the level of rents prevailing in the market, the ability to achieve increases in rents to cover increases in debt service and operating expenses, the level of operating expenses, Project management, adverse changes in applicable laws and regulations, and general economic conditions and other factors in the metropolitan area surrounding the Project. The Mortgagor is required to rent at least fifty-nine (59) units in the Project to households of low income and the amount of rent that may be charged for such units is materially below market. The balance of the units are currently available at the market rate. Adverse changes may occur from time to time with respect to any of these factors or other factors or events which may have a negative impact on the occupancy level and rental income of the Project. Failure of the Mortgagor to make payments under the Mortgage Loan will result in an event of default under the Credit Agreement and may, at the option of the Credit Facility Provider, result in a mandatory tender or redemption in whole or in part of the 2001A Bonds. See "DESCRIPTION OF THE 2001A BONDS – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination" and "Redemption of 2001A Bonds - Mandatory – Mandatory Redemption Upon a Declaration of Acceleration – Following an Event of Termination" and "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT" herein. In addition, for further information regarding the financial condition of the Mortgagor see "APPENDIX B – QUEENSWOOD ASSOCIATES, L.P. (A LIMITED PARTNERSHIP) FHA PROJECT NUMBER 012-94013 FINANCIAL REPORT INCOME TAX BASIS DECEMBER 31, 2000 AND 1999".

The Mortgagor

The Mortgagor is a Delaware limited partnership formed in 1989 for the purpose of acquiring, constructing, and operating the Project. The general partner of the Mortgagor is Queenswood Management Associates, a New York general partnership comprised of Forest City Equity Services, Inc. a wholly owned subsidiary of Cleveland, Ohio-based Forest City Enterprises, Inc. ("FCE") and BR Queenswood Associates, L.P. FCE has been involved in the development, acquisition, ownership and management of commercial and residential real estate since 1925 and currently holds over \$4 billion in assets consisting of over 200 retail, residential, office, and hotel properties located in 21 states and the District of Columbia. FCE has regional offices in New York, Los Angeles, Boston, Tuscon, Denver, Washington, D.C., and San Francisco. Included in the FCE's residential portfolio are approximately 34,000

apartment units, a number of which have been financed similarly to the Project. BR Queenswood Associates, L.P. is a Delaware limited partnership whose general partner is BR Queenswood Management, Inc., a New York corporation whose sole shareholder is Bruce Ratner. Mr. Ratner, an officer of Forest City Ratner, a subsidiary of FCE, is responsible for overseeing all aspects of developing and financing FCE's real estate projects in the New York City market.

The Managing Agent

The Project has been managed by Forest City Residential Management, Inc., a subsidiary of FCE, since 1991. The Managing Agent is located in Cleveland, Ohio where it provides marketing, maintenance, administrative, asset management and accounting services for over approximately 34,000 apartment units in approximately ninety (90) properties located in eight (8) states and the District of Columbia, including 685 apartment units in and around the New York City metropolitan area.

FREDDIE MAC

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages; (ii) to respond appropriately to the private capital market; (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac.

Freddie Mac's principal business consists of the purchase of first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie Mac Act. Freddie Mac finances its mortgage purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates ("PCs") and unsecured debt, as well as with cash and equity capital.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") established Freddie Mac's eighteen-member Board of Directors, of which 13 members are elected by the holders of Freddie Mac's common stock and the remaining five are appointed by the President of the United States. Freddie Mac is subject to regulation by three agencies of the federal government. The Department of Housing and Urban Development ("HUD") has responsibility for overseeing Freddie Mac's fulfillment of its statutory mission, including facilitating the financing of affordable housing in certain geographic areas and among certain income segments. In addition, the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 created a separate office within HUD, known as the Office of Federal Housing Enterprise Oversight ("OFHEO"), to monitor the adequate capitalization and safe operation of Freddie Mac. The director of OFHEO is appointed by the President of the United States and confirmed by the Senate for a five-year term. Finally, the Secretary of the Treasury must approve the issuance of, including interest rates of and maturities on, all notes, debentures and substantially identical types of unsecured debt obligations of Freddie Mac, as well as the issuance of types of mortgage-related securities not issued prior to FIRREA.

Freddie Mac prepares an annual Information Statement that describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements. The most recent Information Statement prepared by Freddie Mac is dated March 31, 2000, for the year ended December 31, 1999. On a quarterly basis, and from time to time, as necessary, Freddie Mac prepares Information Statement Supplements that include unaudited financial data and other information concerning its business and operations. The most recent quarterly Information Statement Supplement prepared by Freddie Mac is dated January 31, 2001 for the quarter ended December 31, 2000. Interested persons can obtain the most recent Information Statement and Information Statement Supplement, and any other documents prepared and made available by Freddie Mac, by writing or calling the Investor Inquiry Department at Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 (phone 800/FREDDIE [373-3343]). Selected financial and other information can also be obtained by accessing Freddie Mac's World Wide Web site at <http://www.freddiemac.com>.

Freddie Mac makes no representations as to the contents of this Official Statement except under this heading, the suitability of the 2001A Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role is limited to discharging its obligations under the Initial Credit Facility.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE 2001A BONDS ARE SOLELY AS PROVIDED IN THE INITIAL CREDIT FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE INITIAL CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A CORPORATE INSTRUMENTALITY OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2001A BONDS. THE 2001A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY OTHER AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

Limitation of Responsibilities

None of the information or any of the statements referred to in the preceding paragraphs of this section is guaranteed as to accuracy or completeness by the Corporation or is to be construed as a representation by the Corporation. Furthermore, the Corporation does not make any representation as to the financial condition or resources of Freddie Mac or as to the absence of material adverse changes subsequent to March 31, 2000 in such information or in the information contained in the statements referred to above.

DESCRIPTION OF THE 2001A BONDS

General

The 2001A Bonds are to be dated and will mature as set forth on the cover page of this Official Statement. The 2001A 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 April 1, 2031, upon redemption or otherwise. The 2001A Bonds are being issued as variable rate obligations which will bear interest from their date of issue to and including March 27, 2001 at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2001A Bonds. Thereafter, the 2001A Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. At no time shall the interest rate on the 2001A Bonds exceed the Maximum Rate. The 2001A Bonds are subject to conversion to the alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein.

This Official Statement in general describes the 2001A Bonds only while the 2001A Bonds bear interest at a Weekly Rate.

The 2001A Bonds shall be issued solely in fully registered form, without coupons, issuable during a Weekly Rate Period in the denomination of \$100,000 or any whole multiple of \$100,000.

Interest on the 2001A Bonds shall be payable on a monthly basis on the first Business Day of each month commencing April, 2001, on any Change Date and on the final maturity date of such 2001A Bonds. Interest on the 2001A Bonds shall be computed on the basis of a 365 or 366-day year, actual number of days elapsed. Business Day means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider's fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (d) a day on which the permanent home office of the Credit Facility Provider is closed, (e) a day on which (i) banking institutions in the City of New York or in the city in which the principal office of the Trustee, the Tender Agent or the Remarketing Agent is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (f) a day on which DTC is closed. The principal office of the Trustee is currently located in New York, New York. The office of Freddie Mac to which requests for payment under the Initial Credit Facility are presented is currently located in McLean, Virginia.

Book-Entry-Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2001A Bonds. The 2001A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2001A Bond certificate will be issued for the 2001A Bonds in the aggregate principal amount of the 2001A Bonds 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 2001A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2001A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2001A 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 2001A 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 2001A Bonds, except in the event that use of the book-entry system for the 2001A Bonds is discontinued.

To facilitate subsequent transfers, all 2001A 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 2001A 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 2001A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2001A 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.

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

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

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

DTC may discontinue providing its services as securities depository with respect to the 2001A Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such 2001A Bond certificates are required, pursuant to the Resolution, to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2001A Bond certificates will be printed and delivered.

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 does not take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or Indirect Participants.

So long as Cede & Co. is the registered owner of the 2001A Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2001A Bonds (other than under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2001A 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 2001A Bond is held in book-entry form, such 2001A Bond need not be delivered in connection with any optional or mandatory tender of 2001A Bonds described under “DESCRIPTION OF THE 2001A BONDS.” In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2001A 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 2001A Bonds contained under “DESCRIPTION OF THE 2001A 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 DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2001A BONDS UNDER THE RESOLUTION; (iii) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2001A BONDS; (iv) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2001A BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2001A BONDS; OR (vi) ANY OTHER MATTER.

Interest Rate Periods

Weekly Rate Period. The 2001A 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 2001A Bonds to the earlier of the first Interest Method Change Date or the final maturity or redemption in whole of such 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 2001A 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 4:00 p.m., New York City time, on the Business Day preceding 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 2001A Bonds through and including March 27, 2001 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 Facility Provider by telecopier or similar means of electronic 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 issuance and delivery of the 2001A Bonds, the Trustee shall deliver or mail by first-class mail, postage prepaid, to the owner of each 2001A Bond, at the address shown on the registration books of the Corporation, a notice stating the Weekly Rate to be borne by the 2001A Bonds, and that from and after the Weekly Effective Rate Date the 2001A 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 The Bond Market Association™ Municipal Swap Index theretofore 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 2001A Bonds shall be made unless the Trustee has received, at least thirty (30) days prior to the Interest Method 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 Facility Provider, evidencing consent to such change by the Credit Facility Provider if a Credit Facility is then in effect 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 counsels as set forth in the Resolution, or provision for the issuance of an Alternate Security meeting the requirements of the Resolution, in which case the Interest Method Change Date shall also be a Facility Change Date, (3) an opinion of Bond Counsel, to the effect that the proposed change in the method of determining the interest rate on the 2001A Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2001A 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 2001A Bonds is on file with the Trustee, to deliver such opinion in connection with the 2001A Bonds, or (ii) an opinion from Bond Counsel as described in the Resolution to the effect that the interest on the 2001A Bonds is not included in gross income for Federal income tax purposes; provided, that, no change in determining the interest rate on the 2001A Bonds may occur if any 2001A Bonds have not been remarketed as of such interest rate change date.

Purchase of the 2001A Bonds on Demand of Owner

Each owner of a 2001A Bond may by delivery of a written, personal, electronic or telephonic notice of tender to the principal offices of the Tender Agent at 114 West 47th Street, New York, New York 10036, Attention: Corporate Trust Department (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at 85 Broad Street, New York, New York 10004 (or such other address as may be established by the Remarketing Agent from time to time) not later than

4:00 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, demand payment of the Purchase Price on and as of such purchase date of all or a portion of such 2001A Bonds, in any denomination authorized by the Resolution; provided, however, that no 2001A Bonds shall be purchased unless any remaining 2001A 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 the 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 2001A Bonds to be purchased and the numbers of such 2001A Bonds to be purchased, and (B) the date on which such 2001A 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.

If any 2001A Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2001A 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 2001A Bonds for which a demand for purchase has been made shall be delivered to the Tender Agent at or prior to 10:00 a.m., New York City time, on the date designated for purchase, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank.

Any 2001A Bonds not so delivered to the Tender Agent (“Undelivered 2001A 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 2001A Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 2001A BONDS TO DELIVER ITS 2001A 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 2001A BONDS, AND ANY UNDELIVERED 2001A 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 2001A Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2001A Bond to the Tender Agent, but such 2001A Bond shall be deemed to have been delivered to the Tender Agent and redelivered to such owner.

Mandatory Purchase of 2001A Bonds on Interest Method Change Date

The 2001A Bonds shall be subject to mandatory tender for purchase on any Interest Method Change Date at the Purchase Price, provided that, no Interest Method Change Date with respect to the 2001A Bonds shall occur if any 2001A Bonds have not been remarketed as of the Interest Method Change Date. The Trustee shall deliver, or mail by first class mail, to the Remarketing Agent and to the owner of each 2001A Bond, at its address shown on the registration books maintained by the Trustee, a notice not later than fifteen (15) days 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 Interest Method Change Date and reason therefor, that such owners of 2001A Bonds shall be deemed to have tendered their 2001A Bonds for purchase on the Interest Method Change Date, and the Purchase Price for such 2001A Bonds.

Owners of 2001A Bonds shall be required to tender their 2001A Bonds to the Tender Agent for purchase at the Purchase Price on the Interest Method Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2001A 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 2001A 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 2001A BONDS TO DELIVER ITS 2001A 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 2001A BONDS, AND ANY UNDELIVERED 2001A BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Mandatory Purchase of 2001A Bonds Upon Replacement or Expiration of Credit Facility

On any Facility Change Date the 2001A Bonds are subject to mandatory tender for purchase at the Purchase Price, provided that, no Facility Change Date with respect to the 2001A Bonds shall occur if any 2001A Bonds have not been remarketed on the Facility Change Date. 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 fifteen (15) days prior to the Facility Change Date to the Remarketing Agent and to the owner of each 2001A Bond at its address shown on the registration books maintained by 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 Facility Change Date and reason therefor, that all owners of 2001A Bonds shall be deemed to have tendered their 2001A Bonds for purchase on the Facility Change Date, and the Purchase Price for such 2001A Bonds.

Owners of 2001A Bonds shall be required to tender their 2001A Bonds to the Tender Agent for purchase at the Purchase Price on the Facility Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2001A 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 2001A Bonds shall be deemed to have been purchased at the Purchase Price on the Facility Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 2001A BONDS TO DELIVER ITS 2001A 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 2001A BONDS, AND ANY UNDELIVERED 2001A 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 2001A Bonds Upon a Notice of Prepayment of the Mortgage Loan in Full

Pursuant to the Resolution, upon notice to the Trustee from the Corporation of the Mortgagor's election to prepay the Mortgage Loan in full (said notice from the Corporation to the Trustee being defined in the Resolution as a "Notice of Prepayment of the Mortgage Loan in Full"), the Corporation shall specify a Change Date on which all the 2001A 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.

Following receipt by the Trustee of such Notice of Prepayment of the Mortgage Loan in Full, the Trustee shall deliver, or mail by first-class mail to the Remarketing Agent and to the owner of each 2001A Bond, at its address shown on the registration books maintained by 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 in Full shall set forth, in substance, the Change Date and reason therefor, that all owners of 2001A Bonds shall be deemed to have tendered their 2001A Bonds for purchase on the Change Date and the Purchase Price for the 2001A Bonds. Owners of 2001A Bonds shall be required to tender their 2001A Bonds to the Tender Agent for purchase at the Purchase Price on the Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 2001A 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 2001A 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 2001A BONDS TO DELIVER ITS 2001A 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 2001A BONDS, AND ANY UNDELIVERED 2001A 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 in full and payment to the Credit Facility Provider (other than from the proceeds of the remarketing of the 2001A Bonds or from moneys on deposit in the Principal Reserve Fund) of all amounts due under

the Credit Agreement, all 2001A 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 Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination

Pursuant to the Resolution, for so long as the Credit Facility is in effect, upon the receipt by the Trustee of written notice from the Credit Facility Provider that one or more events of default 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 a failure to reimburse the Credit Facility Provider under the Credit Agreement, the Credit Facility Provider may specify a Change Date on which the 2001A Bonds shall be subject to mandatory tender for purchase, in whole or in part, which Change Date shall not be later than eight (8) days following receipt by the Trustee of the direction to purchase such 2001A Bonds; if less than all of the 2001A Bonds are to be tendered, the particular 2001A 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 Facility Provider, the Trustee shall promptly deliver to the Remarketing Agent and to the owner of each affected 2001A 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 receives such notice. See "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT" herein.

Any notice of mandatory tender relating to an Event of Termination specified by the Credit Facility Provider shall set forth, in substance, the Change Date and reason therefor, that all owners of affected 2001A Bonds shall be deemed to have tendered their 2001A Bonds for purchase on the Change Date and the Purchase Price for such 2001A Bonds. Owners of affected 2001A Bonds shall be required to tender their 2001A 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 2001A 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 2001A 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 2001A BONDS TO DELIVER ITS AFFECTED 2001A 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 2001A BONDS, AND ANY UNDELIVERED 2001A BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Provisions Affecting 2001A Bonds if a Change of Method of Determining the Interest Rate Cannot be Effected

If (a) a notice of an Interest Method Change Date has been given in accordance with the Resolution and (b) the conditions precedent to an Interest Method Change Date set forth in the Resolution have not been satisfied, then,

- (i) the new interest method mode shall not take effect;
- (ii) the 2001A Bonds shall be subject to mandatory tender on the proposed Interest Method Change Date and the holders of 2001A Bonds shall not have the right to retain their 2001A Bonds; and
- (iii) the interest rate shall remain in the Weekly Rate.

Additional Provisions Regarding Purchased Bonds

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

Failure to pay interest on Purchased Bonds when due, or failure to pay principal and interest on Purchased Bonds upon any Redemption Date or purchase date or the maturity date of Purchased Bonds, shall not constitute an Event of Default. Upon the maturity date of the 2001A Bonds, or upon any Redemption Date for the redemption in whole of such 2001A Bonds (whether by reason of optional or mandatory redemption) or date of acceleration of such Bonds, all Purchased Bonds shall be deemed cancelled.

Purchased Bonds shall also be cancelled at the direction of the Credit Facility Provider. At such time as a Purchased Bond is remarketed, the Trustee or the Tender Agent, as appropriate, shall (a) remit the proceeds from the remarketing to the Credit Facility Provider, 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 Facility Provider that such Bond is no longer a Purchased Bond.

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 by a Supplemental Resolution, from time to time, to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2001A Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, which 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 to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2001A Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, after such period of time as the Trustee and the Corporation deem appropriate following notice to the 2001A Bond owners. A copy of any such Supplemental Resolution shall be provided to the owners of the 2001A Bonds.

Delivery of 2001A Bonds in Book-Entry-Only Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2001A Bond is held in book-entry form, such 2001A Bond need not be delivered in connection with any optional or mandatory tender of 2001A Bonds described under "DESCRIPTION OF THE 2001A BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2001A 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 2001A BONDS -- Book-Entry-Only System" herein.

Redemption of 2001A Bonds - Mandatory

Mandatory Redemption From Certain Recoveries of Principal and Other Moneys. The 2001A 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 the advance payment in full of all amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor, with moneys other than amounts transferred from the Principal Reserve Fund during a Weekly 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 2001A Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. Recoveries of Principal include amounts transferred from the Principal Reserve Fund at the option of the Mortgagor as more fully described under "SECURITY FOR THE BONDS — Principal Reserve Fund" and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Principal Reserve Fund".

Mandatory Redemption on Bankruptcy of Credit Facility Provider. The 2001A 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 Facility Provider, the Trustee has not received a new Credit Facility, at a Redemption Price equal to 100% of the principal amount of the 2001A Bonds to be redeemed, plus accrued interest to the Redemption Date.

Mandatory Redemption Upon a Declaration of Acceleration.

Following an Event of Default. The 2001A 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 2001A 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 2001A 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 2001A Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

Mandatory Redemption From Excess Amounts in the Principal Reserve Fund. The 2001A Bonds shall be subject to mandatory redemption, in whole or in part, on the first Business Day of December of each year if and to the extent amounts in excess of the Principal Reserve Amount are transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding November 10 (or, if such day is not a Business Day, the next succeeding Business Day). (See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Principal Reserve Fund”.) Each such redemption will be at a Redemption Price equal to 100% of the principal amount of the 2001A Bonds to be redeemed plus accrued interest to the Redemption Date.

Redemption of 2001A Bonds - Optional

Optional Redemption. The 2001A Bonds shall be subject to redemption, at the option of the Corporation (with the prior written consent of the Credit Facility Provider), in whole or in part, at any time, at a Redemption Price equal to 100% of the principal amount of the 2001A Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Effect of Loss of Tax Exemption

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 2001A Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into the 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 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 2001A Bonds is payable. See “TAX MATTERS.” *Pursuant to the Resolution, the loss of such exclusion of interest from gross income would not, in and of itself, result in a mandatory tender or redemption of all or a portion of the 2001A Bonds. However, a default by the Mortgagor under the Regulatory Agreement would give rise to an event of default under the Credit Agreement. In such an event, the Credit Facility Provider would have the right, in its sole and absolute discretion, to cause a mandatory tender or redemption of all or a portion of the 2001A Bonds. See “DESCRIPTION OF THE 2001A BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination” and “Redemption of 2001A Bonds— Mandatory -- Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination” herein.*

Selection of 2001A Bonds to be Redeemed

If less than all of the 2001A Bonds are to be redeemed, the Trustee may select the 2001A Bonds to be redeemed by lot using such method as it shall determine. Notwithstanding the foregoing, (i) for so long as the Credit Facility shall be in effect, the first 2001A Bonds to be redeemed shall be Purchased Bonds, and (ii) no 2001A Bond shall be selected for redemption if the portion of such 2001A 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 2001A Bonds, or is required pursuant to the Resolution to redeem the 2001A Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2001A Bonds. Such notice is to specify, among other things, the 2001A Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption (which conditions, in the case of a redemption at the election or direction of the Corporation, shall be subject to the approval of the Credit Facility Provider) and the place or places where amounts due upon such redemption will be payable. The Trustee is to mail a copy of such notice postage prepaid to the registered owners of any 2001A Bonds or portions of 2001A Bonds which are to be redeemed, at their last addresses appearing upon the registry

books not less than fifteen (15) days before the Redemption Date. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2001A Bonds for which, pursuant to the Resolution, notice is not required to be given. If the conditions precedent to the redemption, if any, have been satisfied, interest shall cease to accrue and be payable on the 2001A Bonds after the Redemption Date if notice has been given, or is not required to be given, and if sufficient moneys have been deposited with the Trustee to pay the applicable Redemption Price and interest on the 2001A Bonds on such date. So long as the 2001A Bonds are in book-entry-only form, notice of redemption shall be given to Cede & Co., as nominee for DTC. See “DESCRIPTION OF THE 2001A BONDS — Book-Entry-Only System.”

Corporation’s Right to Purchase

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

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2001A Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount of \$10,800,000, which amount will be used to refund the 1989 Bonds and refinance the Project.

In addition, the Mortgagor will pay certain other costs relating to the refunding of the 1989 Bonds and the refinancing of the Project including the Underwriter’s fee in an amount equal to \$43,200.

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 (i) the equal benefit, protection and security of the owners of all such Bonds, each of which, regardless of the time of issue or maturity, is to be of equal rank without preference, priority or distinction except as provided in the Resolution and (ii) for the benefit of the Credit Facility Provider 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, as and to the extent provided in the Credit Facility, are payable from amounts obtained under the Initial Credit Facility or an Alternate Security. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of Revenues, which consists of all payments received by the Corporation from or on account of the Mortgage Loan, including scheduled, delinquent and advance payments of principal and interest, proceeds from the sale, assignment, or other disposition of the Mortgage Loan in the event of a default thereon, proceeds of any insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under the Resolution. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charges or settlement fees of the Servicer of the Mortgage Loan or the Credit Facility Provider on account of the Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of the rights and interest of the Corporation in and to all 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 Facility Provider 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 Facility Provider 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 herein.

Pursuant to the Resolution and the Assignment, the Corporation will assign and deliver to Freddie Mac and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Corporation all of its right, title and interest in and

to the Mortgage Loan and Mortgage Documents. The Trustee will assign the Mortgage Rights to Freddie Mac provided that such rights will automatically revert to the Trustee in the event of a Wrongful Dishonor. The Trustee will hold the Mortgage Note and the Mortgage Documents for the benefit of the owners of the Bonds and Freddie Mac, subject to Freddie Mac's rights under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Freddie Mac in certain events. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants with Respect to Mortgage Loan." *Neither the Conventional Loan nor the Subordinate Mortgage Loan will be pledged as security for the Bonds. See "THE MORTGAGE LOAN AND OTHER FINANCING" for a more complete description.*

Initial Credit Facility

The 2001A Bonds when initially issued will have the benefit of the Initial Credit Facility issued by Freddie Mac, which Initial Credit Facility will expire on April 6, 2031 unless earlier terminated or extended. Freddie Mac will deliver the Initial Credit Facility to the Trustee upon the issuance of the 2001A Bonds. The Initial Credit Facility may be replaced with various other forms of credit enhancement ("Alternate Security"; the Initial Credit Facility or Alternate Security being herein referred to as the "Credit Facility"), as described below under the caption "Alternate Security". Upon replacement, termination or expiration of the Initial Credit Facility, the 2001A Bonds are subject to mandatory tender as described above under the caption "DESCRIPTION OF THE 2001A BONDS — Mandatory Purchase of 2001A Bonds Upon Replacement or Expiration of Credit Facility." Further information regarding the Initial Credit Facility is contained herein under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT" and further information regarding Freddie Mac is contained herein under the caption "FREDDIE MAC."

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, a Credit Facility must be in effect with respect to the 2001A 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 2001A Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from Moody's Investor Services, Inc., or the national rating agency or agencies then rating the 2001A Bonds in the case of an Alternate Security, to the effect that such Alternate Security will provide the 2001A Bonds with an investment grade rating; and (iii) moneys sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility.

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Resolution and is to be held by the Trustee. Pursuant to the Resolution, there is to be deposited into the Principal Reserve Fund all of the monthly payments made by the Mortgagor in accordance with the Principal Reserve Schedule attached to the Credit Agreement, as such Schedule may be amended and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. *At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (unless and to the extent such amounts, in the judgment of the Corporation, are needed to be transferred to the Rebate Fund pursuant to the Resolution), (ii) no longer require deposits to the Principal Reserve Fund and/or (iii) consent to a change in the Principal Reserve Schedule. The consent of the Bondholders, the Trustee or the Corporation is not required for such actions. Any amounts so released shall no longer secure the 2001A Bonds.*

Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall be paid to the Mortgagor on the first Business Day after each Interest Payment Date unless the Trustee shall have received notice from the Credit Facility Provider to the effect that an "Event of Default" shall have occurred and not been cured under the Credit Agreement and directing that such amounts be retained in the Principal Reserve Fund, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any payment to the Mortgagor (or in lieu of retaining such amounts in the Principal Reserve Fund), such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

Amounts in the Principal Reserve Fund will be applied by the Trustee:

- (1) at the written direction of the Credit Facility Provider, to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay interest due on and/or principal of the 2001A Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such interest and/or principal;
- (2) at the written direction of the Credit Facility Provider, to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay the Purchase Price of tendered 2001A Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;
- (3) at the written direction of the Credit Facility Provider, with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Financing Agreement, Regulatory Agreement or the Credit Agreement), to make improvements or repairs to the Project; and
- (4) at the written direction of the Credit Facility Provider, if a default has occurred and is continuing under the Credit Agreement or any other Borrower Document, or if the Mortgagor otherwise consents, to any other use approved in writing by the Credit Facility Provider.

All amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of \$100,000) are required to be transferred to the Redemption Account on each November 10 (or, if such day is not a Business Day, the next succeeding Business Day) to reimburse the Credit Facility Provider for amounts advanced under the Credit Facility to effect the redemption of 2001A Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of the 2001A Bonds) on the first Business Day of the following December, provided, however, that for purposes of this paragraph, in calculating the amount in the Principal Reserve Fund, (i) amounts represented by an uncollateralized PRF Letter of Credit shall not be included, and (ii) amounts represented by a collateralized PRF Letter of Credit shall not be included if the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation an opinion, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel, who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider, to the effect that not including such amounts in such calculation will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2001A Bonds. See “DESCRIPTION OF THE 2001A BONDS — Redemption of 2001A Bonds -- Mandatory -- Mandatory Redemption from Excess Amounts in the Principal Reserve Fund.”

The Mortgagor is entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2001A Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2001A Bonds) as directed by the Mortgagor. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan and be a Recovery of Principal, provided, the Credit Facility Provider certifies in writing to the Trustee and the Corporation that no “Event of Default” or “Default” exists under the Credit Agreement and provided such right may be exercised only at the times and subject to the conditions set forth in the Financing Agreement with respect to optional prepayments of the Mortgage Loan and only if the Credit Facility Provider shall have delivered to the Corporation and the Trustee its written consent thereto. See “DESCRIPTION OF THE 2001A BONDS — Redemption of 2001A Bonds -- Mandatory -- Mandatory Redemption from Certain Recoveries of Principal and Other Moneys.” Also, under certain circumstances, the Credit Facility Provider can require that amounts on deposit in the Principal Reserve Fund be applied to reimburse the Credit Facility Provider for amounts advanced under the Credit Facility to effect the mandatory tender or mandatory redemption in whole or in part of the 2001A Bonds. See “DESCRIPTION OF THE 2001A BONDS — Redemption of 2001A Bonds -- Mandatory -- Mandatory Redemption Upon a Declaration of Acceleration -- Following an Event of Termination,” “DESCRIPTION OF THE 2001A BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2001A Bonds Upon an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT — The Credit Agreement.”

PRF Letter of Credit. In lieu of making monthly deposits to the Principal Reserve Fund, the Mortgagor may, with the consent of the Credit Facility Provider, meet its obligation to fund the Principal Reserve Fund by depositing a PRF Letter of Credit

meeting the requirements of the Resolution in the Principal Reserve Fund. When an additional amount is required to be deposited into the Principal Reserve Fund, the Mortgagor will either cause the amount of the existing PRF Letter of Credit to be increased by such amount, obtain a Replacement PRF Letter of Credit or deliver cash in such amount.

The Trustee is to draw upon the PRF Letter of Credit for payments, transfers or other applications required by the Resolution with respect to the Principal Reserve Fund. In addition, the Trustee is to draw the amount available under the PRF Letter of Credit if the PRF Letter of Credit fails to meet the requirements of the Resolution or if, ten (10) Business Days prior to the expiration of such PRF Letter of Credit, the Trustee has not received (a) cash in an amount equal to the amount available to be drawn under such PRF Letter of Credit, (b) an extension of the expiration date of such PRF Letter of Credit or (c) a Replacement PRF Letter of Credit, and such opinions as required by the Resolution. The proceeds of the draw under the PRF Letter of Credit may be used for any purpose for which moneys held under the Principal Reserve Fund may be used pursuant to the terms of the Resolution. Any change in the Principal Reserve Schedule or in the amount required to be on deposit in the Principal Reserve Fund could result in a reduction or release of the PRF Letter of Credit. At the direction of the Mortgagor, and with the consent of the Credit Facility Provider, the PRF Letter of Credit may be replaced by a Replacement PRF Letter of Credit meeting the requirements of the Resolution or may be replaced by a cash deposit into the Principal Reserve Fund.

See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Principal Reserve Fund.”

Additional Bonds

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

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

The 2001A 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 2001A 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 Facility Provider, as their interests may appear and in accordance with the terms of the Assignment, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents, except as otherwise provided in the Assignment. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged therefor under the Resolution. In addition, the Bonds shall be payable from Credit Facility Payments.

Provisions for Issuance of Bonds

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

- a. a Bond Counsel's Opinion to the effect that (i) the Resolution and the Supplemental Resolution, if any, have been duly adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency and other laws affecting creditors' rights and remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)); (ii) the Resolution and, if applicable, such Supplemental Resolution create the valid pledge and lien which it or they purport to create of and on the Revenues and all the Accounts established under the Resolution and moneys and securities on deposit therein, subject to the use and application thereof for or to the purposes and on the terms and conditions permitted by the Resolution and such Supplemental Resolution; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the laws of the State, including the Act as amended to the date of such Opinion, and in accordance with the Resolution and such Supplemental Resolution;
 - b. a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation;
 - c. the amount of the proceeds of such Bonds to be deposited with the Trustee pursuant to the Resolution;
- and
- d. with respect to the 2001A Bonds, the Initial Credit Facility, and with respect to any Additional Bonds, the Credit Facility, if required.

Parity Bonds

Additional Bonds may be issued, at the option of the Corporation, on a parity with the Bonds then Outstanding, for the purposes of (i) financing increases in the Mortgage Loan, (ii) refunding Bonds, (iii) establishing reserves for such Additional Bonds and (iv) paying the Costs of Issuance related to such Additional Bonds. 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 2001A Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2001A 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 Purchased 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 2001A 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 2001A Bonds) issued for a purpose other than refunding Bonds, the balance remaining after such deposits have been made shall be deposited in the Bond Proceeds Account.

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

Deposits and Investments

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

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

Any other provisions of the Resolution notwithstanding, amounts on deposit in the Credit Facility 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 Credit Facility Payments Sub-Account therein);
- (3) Redemption Account; and
- (4) Principal Reserve Fund.

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 Credit Facility Payments Sub-Account shall be applicable to the newly created trust account in all respects as if the newly created trust account replaced the Credit Facility Payments Sub-Account.

Bond Proceeds Account

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

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

Revenue Account

Subject to the provisions of the Assignment, the Corporation shall cause all Pledged Receipts, excluding all amounts to be deposited in the Principal Reserve Fund, 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 Initial Credit Facility, 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 Credit Facility 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 Credit Facility 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 as follows:

- (1) first, from the Credit Facility 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 said purpose;
- (5) fifth, from any other moneys held by the Trustee under the Resolution and available for said purpose, including, but not limited to, moneys on deposit in the Principal Reserve Fund.

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 Facility Provider for amounts obtained under the Credit Facility and so applied; provided that such reimbursement shall be made only if the Credit Facility Provider has notified the Trustee, in writing, that the Credit Facility Provider has not been reimbursed for said amounts obtained under the Credit Facility.

Notwithstanding any provision to the contrary which may be contained in the Resolution, (i) in computing the amount to be obtained 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 Purchased 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 Purchased 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 of the maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price plus unpaid accrued interest or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

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

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

On each Interest Payment Date, the Trustee shall transfer from the Revenue Account (after providing for all payments required to have been made prior thereto pursuant to the Resolution) (i) first, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses, (ii) second, at the direction of the Corporation, to the Credit Facility Provider, an amount equal to any fees due and owing to the Credit Facility Provider 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, (v) fifth, to the Corporation, the Administrative Fee to the extent unpaid, and (vi) sixth, if so directed by the Corporation, to the Servicer, an amount equal to the Servicer's unpaid fees and expenses. 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 Credit Facility 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, and
- (5) fifth, from any other moneys held by the Trustee under the Resolution and available for such purpose, including, but not limited to, moneys on deposit in the Principal Reserve Fund.

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 Facility Provider for amounts obtained under the Credit Facility for such purpose; provided such reimbursement shall be made only if the Credit Facility Provider has notified the Trustee, in writing, that the Credit Facility Provider has not been reimbursed for said amounts obtained under the Credit Facility.

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. The Trustee shall also transfer amounts on deposit in the Principal Reserve Fund to the Rebate Fund in accordance with the Resolution.

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.

Principal Reserve Fund

Amounts on deposit in the Principal Reserve Fund shall be applied as set forth in the Resolution. There shall be deposited into the Principal Reserve Fund all of the monthly payments made in accordance with the Principal Reserve Schedule attached to the Credit Agreement, as such schedule may be amended in accordance with the provisions of the Credit Agreement and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall be paid to the Mortgagor on the first Business Day after each Interest Payment Date unless the Trustee shall have received notice from the Credit Facility Provider to the effect that an “Event of Default” shall have occurred and not been cured under the Credit Agreement and directing that such amounts be retained in the Principal Reserve Fund, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any payment to the Mortgagor (or in lieu of retaining such amounts in the Principal Reserve Fund), such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

In addition to the other payments required or permitted by the Resolution, amounts in the Principal Reserve Fund shall be used, at the written direction of the Credit Facility Provider:

(1) to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay interest due on and/or principal of the 2001A Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such interest and/or principal;

(2) to reimburse the Credit Facility Provider for advances made under the Credit Facility which were used to pay the Purchase Price of tendered 2001A Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;

(3) with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Financing Agreement, Regulatory Agreement or the Credit Agreement), to make improvements or repairs to the Project; and

(4) if a default has occurred and is continuing under the Credit Agreement or any other Borrower Document (as defined in the Credit Agreement), or if the Mortgagor otherwise consents, to any other use approved in writing by the Credit Facility Provider.

On each November 10 (or, if such day is not a Business Day, the next succeeding Business Day), during the period the 2001A Bonds bear interest at the Weekly Rate, all amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of \$100,000) shall be transferred by the Trustee to the Redemption Account to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2001A Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2001A Bonds) on the first Business Day of the following December, provided, however, that for purposes of this paragraph, in calculating the amount in the Principal Reserve Fund, (i) amounts represented by an uncollateralized PRF Letter of Credit shall not be included, and (ii) amounts represented by a collateralized PRF Letter of Credit shall not be included if the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation an opinion, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel, who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider, to the effect that not including such amounts in such calculation will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2001A Bonds.

If the Credit Facility Provider certifies in writing to the Trustee and the Corporation that no “Event of Default” or “Default” exists under the Credit Agreement, the Mortgagor shall be entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2001A Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2001A Bonds). Any amounts so transferred shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and shall be a Recovery of Principal; provided however, that such right of the Mortgagor to direct such transfers may be exercised only at the times, and subject to any conditions, set forth

in the Financing Agreement with respect to optional prepayments of the Mortgage Loan by the Mortgagor and only if the Credit Facility Provider shall have delivered to the Corporation and the Trustee its written consent thereto.

Moneys on deposit in the Principal Reserve Fund shall be invested (i) so long as the Initial Credit Facility is in effect, in Investment Securities described in paragraph (A)(a) or (b) of the definition of "Investment Securities", and (ii) at all other times, in Government Obligations or, to the extent otherwise permitted by the Resolution, (a) other short-term variable rate instruments rated by Moody's in a category equivalent to the rating then in effect for the 2001A Bonds or (b) as otherwise permitted by the Credit Facility Provider, in its sole discretion.

At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (in which case the Trustee shall release such amounts to the Mortgagor, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any such release to the Mortgagor, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund), (ii) no longer require deposits to the Principal Reserve Fund, and/or (iii) consent to a change in the Principal Reserve Schedule. Any amounts so transferred or released shall no longer secure the 2001A Bonds.

In lieu of amounts to be deposited in the Principal Reserve Fund, the Mortgagor may, with the consent of the Credit Facility Provider, deliver (or cause to be delivered) a PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund; provided, however, that no such deposit of a PRF Letter of Credit and no release of moneys or Investment Securities pursuant to the fourth succeeding paragraph shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (y), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (x) if such PRF Letter of Credit is delivered to the Trustee subsequent to the date of original issuance of the 2001A Bonds, an opinion to the effect that neither the delivery and deposit of such PRF Letter of Credit, nor such release of moneys and Investment Securities from the Principal Reserve Fund, will adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2001A Bonds, and (y) an opinion to the effect that such PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms.

In substitution of a PRF Letter of Credit or cash on deposit in the Principal Reserve Fund, the Mortgagor, with the consent of the Credit Facility Provider, may deliver (or cause to be delivered) another PRF Letter of Credit (herein referred to as a "Replacement PRF Letter of Credit") to the Trustee, for deposit in the Principal Reserve Fund; provided, however, that no such deposit of a Replacement PRF Letter of Credit shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (y), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (x) an opinion to the effect that the delivery and deposit of such Replacement PRF Letter of Credit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2001A Bonds, and (y) an opinion to the effect that such Replacement PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms. Any such Replacement PRF Letter of Credit delivered to the Trustee in accordance with this paragraph shall constitute a PRF Letter of Credit for purposes of the Resolution.

In substitution of a PRF Letter of Credit on deposit in the Principal Reserve Fund, the Mortgagor, with the consent of the Credit Facility Provider, may deliver (or cause to be delivered) cash to the Trustee for deposit in the Principal Reserve Fund in an amount equal to the amount then available to be drawn under such PRF Letter of Credit, which cash shall be deposited in the Principal Reserve Fund; provided, however, that no such substitution shall be made unless prior thereto the Mortgagor shall deliver (or cause to be delivered) to the Trustee, the Corporation and the Credit Facility Provider an opinion, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider to the effect that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2001A Bonds.

The following provisions shall also apply to deposits to and withdrawals from the Principal Reserve Fund, provided that any required consents and/or opinions have been obtained: (a) the Principal Reserve Fund may be funded with (x) all cash, (y) only a PRF Letter of Credit, or (z) any combination of the foregoing; (b) any substitution of a PRF Letter of Credit for cash (or vice versa) need not be for the full amount on deposit in the Principal Reserve Fund, so long as the amount withdrawn is equal to the amount deposited; and (c) a PRF Letter of Credit may be deposited to the Principal Reserve Fund in satisfaction of one or more required deposits. In addition, the extension of the expiration date of a PRF Letter of Credit shall not be treated as the delivery of a Replacement PRF Letter of Credit, but shall be considered as the same as the existing PRF Letter of Credit. An increase in the amount available to be drawn under a PRF Letter of Credit shall be treated as the delivery of a Replacement PRF Letter of Credit unless such increase is provided for in the existing PRF Letter of Credit and is automatic without any action of any party.

Upon delivery to the Trustee of a PRF Letter of Credit subsequent to the date of original issuance of the 2001 Bonds, if the consent and the opinions required by the fourth preceding paragraph shall have been delivered, the Trustee, upon the request of the Mortgagor, shall release, to or upon the order of the Mortgagor, all moneys and Investment Securities then on deposit in the Principal Reserve Fund; provided that the aggregate amount so released shall not exceed the amount then available to be drawn under the PRF Letter of Credit. Upon delivery to the Trustee of a Replacement PRF Letter of Credit, if the opinions required by the third preceding paragraph shall have been delivered, the Trustee shall release the PRF Letter of Credit being replaced to the issuer of the PRF Letter of Credit being replaced or the moneys and Investment Securities then on deposit in the Principal Reserve Fund to or upon the order of the Mortgagor; provided that the aggregate amount so released shall not exceed the amount then available to be drawn under said Replacement PRF Letter of Credit. Upon delivery to the Trustee of cash, if the opinion required by the second preceding paragraph shall have been delivered, the Trustee, upon the request of the Mortgagor, shall release the PRF Letter of Credit being replaced to the PRF Letter of Credit Provider.

Moneys drawn or available to be drawn under a PRF Letter of Credit shall constitute amounts on deposit in the Principal Reserve Fund for the purposes of the Resolution except that prior to drawing on a PRF Letter of Credit that meets the requirements set forth in the third paragraph of this section, for purposes of said paragraph, such PRF Letter of Credit shall not be included in calculating the amount in the Principal Reserve Fund. The Trustee shall draw upon a PRF Letter of Credit for payment, transfer or other application in accordance with the Resolution (including, without limitation, at the direction of the Credit Facility Provider for the purposes set forth in clauses (1) through (4) of the second paragraph under this section).

If ten (10) Business Days prior to the expiration of a PRF Letter of Credit, the Trustee has not received either (a) cash in an amount equal to the amount available to be drawn under such PRF Letter of Credit, (b) an extension of the expiration date of such PRF Letter of Credit or (c)(i) a Replacement PRF Letter of Credit and (ii) the following opinions, addressed to the Trustee, the Corporation and the Credit Facility Provider, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (y), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (x) an opinion to the effect that the delivery and deposit of such Replacement PRF Letter of Credit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2001A Bonds, and (y) an opinion to the effect that such Replacement PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms, then the Trustee shall draw the full amount available to be drawn under the PRF Letter of Credit. If the Trustee is not required to draw on the PRF Letter of Credit because the conditions of the preceding sentence have been met and such PRF Letter of Credit is being replaced by cash and/or a Replacement PRF Letter of Credit, such PRF Letter of Credit shall be returned to the Mortgagor.

If, thirty (30) days after the Trustee shall have obtained actual knowledge of a downgrading of the applicable rating of debt obligations of the issuer of a PRF Letter of Credit below the ratings set forth in the definition, in Appendix A hereto, of the term "PRF Letter of Credit," there has not been delivered to the Trustee a Replacement PRF Letter of Credit and/or cash in an aggregate amount equal to the amount available to be drawn under such PRF Letter of Credit, then the Trustee shall draw the full amount available to be drawn under such PRF Letter of Credit.

The Credit Facility Provider shall have the right at any time to direct in writing that the Trustee draw upon the PRF Letter of Credit and to deposit the proceeds thereof in the Principal Reserve Fund, whereupon the Trustee shall follow such direction.

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 2001A 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 Purchased 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 arrearages 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, the Mortgage, the Mortgage Note and all other documents which evidence or secure the Mortgage Loan, 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 shall be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

Issuance of Additional Obligations

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

Initial Credit Facility; No Disposition of Credit Facility

The Trustee shall not, without the prior written consent of the owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility except (i) to a successor Trustee, or (ii) to the Credit Facility Provider either (1) upon receipt of an Alternate Security, (2) upon expiration or other termination of the Credit Facility in accordance with its terms, including termination

on its stated expiration date or upon payment thereunder of the full amount payable thereunder, or (3) upon election of the Corporation during a Fixed Rate Period in accordance with the Resolution. Except as aforesaid, the Trustee shall not transfer, assign or release the Credit Facility until the principal of and interest on the Bonds shall have been paid or duly provided for in accordance with the terms of this Resolution.

Accounts and Reports

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

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

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

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

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

Supplemental Resolutions

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

or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

The Corporation may adopt, without the consent of any owners of the Bonds, Supplemental Resolutions, to, among other things, provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on the issuance of other evidences of indebtedness; add to the covenants and agreements of or limitations and restrictions on, the Corporation's other covenants and agreements or limitations and restrictions which are not contrary to or inconsistent with the Resolution; surrender any right, power or privilege of the Corporation under the Resolution but only if such surrender is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; confirm any pledge under the Resolution, of the Revenues or of any other revenues or assets; modify any of the provisions of the Resolution in any respect whatever (but no such modification shall be effective until all Bonds theretofore issued are no longer Outstanding); provide for the issuance of Bonds in coupon form payable to bearer; authorize the issuance of Additional Bonds and prescribe the terms and conditions thereof; provide that specified provisions of the Resolution that relate to the 2001A Bonds shall also apply to a Series of Additional Bonds; cure any ambiguity or correct any defect or inconsistent provision in the Resolution (provided that the Trustee shall consent thereto); comply with the Code; provide for such changes as are deemed necessary or desirable by the Corporation upon delivery of an Alternate Security; 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 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 to provide such changes (other than changes that adversely affect the exclusion from gross income for Federal income tax purposes of interest on any series of bonds to which the tax covenants in the Resolution apply) as are deemed necessary or desirable by the Corporation, if, not less than thirty (30) days before the effective date of such changes the Trustee sends notice of the proposed changes to Bondholders and the Bondholders have the right to tender their Bonds for purchase before such effective date.

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 Facility Provider.

Amendments, Changes and Modifications to the Credit Facility

The Trustee may, without the consent of the owners of the Bonds, consent to any amendment of the Credit Facility which does not prejudice in any material respect the interests of the Bondholders. Except for such amendments, the Credit Facility which does not prejudice in any material respect the interests of the Bondholders. Except for such amendments, the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority in aggregate principal amount of Outstanding Bonds, except that, without the written consent of the owners of all Outstanding Bonds, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid thereunder or change the time for payment of such amounts; provided that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

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 Purchased 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 2001A Bond (other than Purchased 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 Facility Provider that an "Event of Default" has occurred under the Credit Agreement

together with a written direction from the Credit Facility Provider 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 Facility Provider as described in clause (4) of the preceding paragraph, to protect and enforce the remedies of the Bond owners and the Credit Facility Provider 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 Facility Provider, 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 Facility Provider 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 one or more Series of the 2001A Bonds specified by the Credit Facility Provider due and payable, whereupon, with respect to any affected 2001A 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 2001A Bonds; or (8) upon the happening and continuance of an Event of Termination and upon receipt of direction from the Credit Facility Provider, by carrying out a purchase of all or, if so designated by the Credit Facility Provider, a portion of one or more Series of the 2001A Bonds pursuant to the Resolution on a date specified by the Credit Facility Provider, 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 Facility Provider 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 Purchased 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 Purchased Bonds and second, to the owner of Purchased Bonds.

Rights of the Credit Facility Provider

Notwithstanding anything contained in the Resolution to the contrary, (i) all rights of the Credit Facility Provider 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 (as to the Credit Facility Provider) 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 Facility Provider, or (b) if the Credit Facility is no longer in effect; provided, however, that notwithstanding any such Wrongful Dishonor, the Credit Facility Provider shall be entitled to receive notices pursuant to the Resolution in accordance with the terms of the Resolution, and (ii) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider or if the Credit Agreement is no longer in effect, all rights of the Credit Facility

Provider with respect to the Principal Reserve Fund (including, but not limited to, directing the use of amounts therein) may be exercised by the Corporation.

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 Weekly Rate Period interest shall continue to accrue on any unpaid principal to such next succeeding Business Day.

SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT

The following is a summary of certain provisions of the Initial Credit Facility and the Credit Agreement, together with certain definitions contained in such summary, 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.

Definitions of Certain Terms

“Bond Documents” means the 2001A Bonds, the Resolution, the Financing Agreement, the Regulatory Agreement (and any other agreement relating to rental restrictions on the Project), the Tax Certificate, the Remarketing Agreement, the Bond Purchase Agreement, the Tender Agent Agreement, the Assignment and all other documents, instruments and agreements executed and delivered in connection with the issuance, sale, delivery and/or remarketing of the 2001A Bonds as each such agreement or instrument may be amended, modified or supplemented from time to time.

“Bond Mortgage Documents” means the Mortgage, the Mortgage Note, the Financing Agreement and any related documents evidencing the obligations of the Mortgagor under the Mortgage Note or securing payment or performance of such obligations or otherwise pertaining to such obligations, as each such document, agreement or instrument may be amended, modified or supplemented from time to time.

“Borrower Documents” means the Bond Documents, the Bond Mortgage Documents, the Reimbursement Security Documents, the Cap Documents and the Conventional Loan Documents.

“Cap Agreement” means that certain rate cap agreement, between the Mortgagor and the counterparty, as such agreement may be amended, modified, supplemented or restated from time to time, and any subsequent interest rate cap agreements approved in writing by Freddie Mac.

“Cap Documents” shall mean all documents entered into between the Mortgagor and a counterparty relating to a rate cap.

“Conventional Loan Documents” means the Conventional Note, the Reimbursement Mortgage and any related documents, agreements or instruments evidencing the obligations of the Mortgagor under the Conventional Note or securing payment or performance of such obligations or otherwise pertaining to such obligations, as each such document, agreement or instrument may be amended, modified or supplemented from time to time.

“Conventional Note” means the promissory note from the Mortgagor to Fifth Third Real Estate Capital Markets Co., including all riders and addenda thereto, evidencing the Mortgagor’s obligation to repay the Conventional Loan, as the same may be amended, modified or supplemented from time to time.

“Downgrade Remarketing Failure” means a remarketing failure with respect to the 2001A Bonds attributable to a rating downgrade by the rating agency of the 2001A Bonds to below investment grade rating because the credit rating of Freddie Mac has declined below investment grade.

“Freddie Mac Credit Enhancement Fee” means the sum of the Freddie Mac Credit Facility Fee and the Freddie Mac Liquidity Facility Fee.

“Freddie Mac Credit Facility Fee” means the fee for credit enhancement payable to Freddie Mac pursuant to Section 3.3 of the Credit Agreement.

“Freddie Mac Liquidity Facility Fee” means the fee for liquidity support payable pursuant to Section 3.3 of the Credit Agreement, during the period commencing on the date of delivery of the Initial Credit Facility to, but not including, the date the 2001A Bonds are converted to a fixed interest rate.

“Liquidity Advance” means an advance by Freddie Mac pursuant to the terms of the Initial Credit Facility to pay the Purchase Price of any 2001A Bonds tendered optionally by Bond owners pursuant to Section 702 of Appendix A of the Resolution which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and Resolution and therefore, with respect to which there are no proceeds of remarketing.

“Liquidity Rate” means the base rate or the prime rate of interest of Citibank, N.A. until such time as another “Money Center” bank is designated by Freddie Mac in its discretion by notice to the Mortgagor, plus two percent (2%) per annum, provided, however, if there is a Liquidity Advance or a Liquidity Withdrawal because of a Downgrade Remarketing Failure, the Liquidity Rate will be the base rate or prime rate of interest of Citibank, N.A., until such time as another “Money Center” bank is designated by Freddie Mac in its discretion by notice to the Mortgagor.

“Liquidity Use Fee” means, with respect to each Liquidity Advance and each Liquidity Withdrawal, an amount equal to (x) the amount of the Liquidity Advance or Liquidity Withdrawal multiplied by (y) the Liquidity Rate and (z) further multiplied by a fraction, the numerator of which is the number of days that such Liquidity Advance or Liquidity Withdrawal is outstanding (i.e., until Freddie Mac is reimbursed or the Liquidity Withdrawal is replenished) and the denominator of which is 365 days or 366 days, as applicable. The Liquidity Use Fee shall be reduced by an amount equal to the Freddie Mac Credit Enhancement Fee assessed and actually paid for the calculation period on the principal amount of Bonds purchased with the proceeds of the Liquidity Advance or Liquidity Withdrawal.

“Liquidity Withdrawal” means a withdrawal from the Principal Reserve Fund to pay, or to reimburse Freddie Mac for the payment of, the Purchase Price of any 2001A Bonds tendered optionally by Bond owners pursuant to Section 702 of Appendix A to the Resolution.

“Reimbursement Security Documents” means, collectively, the Credit Agreement, the Reimbursement Mortgage, the Pledge Agreement, the Replacement Reserve Agreement, UCC Fixture Filings and Financing Statements, the Cap Agreement, the Cap Assignment and any other Cap Documents, any Collateral Agreements (as defined in the Reimbursement Mortgage), the Assignment, the Conventional Loan Documents and any related documents evidencing the obligations of the Mortgagor under the Credit Agreement, the Conventional Loan Documents or the Reimbursement Mortgage or securing payment or performance of such obligations or otherwise pertaining to performance of such obligations, as each such document, agreement or instrument may be amended, supplemented, otherwise modified or amended and restated from time to time in accordance with its respective terms.

“Servicing Fee” means the monthly fee due the Servicer under the Servicing Agreement.

“Subsequent Cap” or “Subsequent Cap Agreement” shall mean a Cap Agreement in place during any Subsequent Cap Period.

“Subsequent Cap Period” means a period during which a Subsequent Cap Agreement is provided as required by the provisions of Article IV of the Credit Agreement.

The Initial Credit Facility

Freddie Mac is delivering to the Trustee its Initial Credit Facility dated as of March 21, 2001 pursuant to which, subject to certain draw mechanics set forth therein, Freddie Mac agrees to make certain Guaranteed Payments related to the Mortgage Loan (but not the obligations of the Mortgagor to pay certain fees to the Corporation and the Trustee) and to pay the Purchase Price of

the 2001A Bonds under certain circumstances, all as described below. This following brief description of the payment terms of the Initial Credit Facility does not purport to be complete. Purchasers of the 2001A Bonds may obtain a copy of the executed Initial Credit Facility by contacting the Trustee.

On each Interest Payment Date and on the maturity date of the Mortgage Note, Freddie Mac is required to pay the sum of the Interest and Principal Component of a Guaranteed Payment. The Guaranteed Payment is comprised of (i) the Interest Component, which is the regularly scheduled monthly payment of interest on the unpaid balance of the Mortgage Loan at the rate corresponding to the interest rate on the 2001A Bonds and (ii) the Principal Component, which is (x) the regularly scheduled monthly payment of principal on the Mortgage Note, if any, (y) upon optional or mandatory prepayment of the Mortgage Loan, the principal amount of the Mortgage Note being prepaid and (z) on the maturity date or upon acceleration of the Mortgage Note, the unpaid principal balance of the Mortgage Note. Freddie Mac has no obligation under any circumstance to provide for any prepayment premium or other prepayment charge payable on the Mortgage Loan due under the Mortgage Note. Prior to a change in interest mode from the Weekly Rate, there are no scheduled payments of principal on the Mortgage Note. Payments required to be made to the Principal Reserve Fund are not deemed payments of principal.

In addition, on any date to the extent that the 2001A Bonds are required to be purchased pursuant to the Resolution and are not remarketed, Freddie Mac will pay the purchase price of such Bonds. If any 2001A Bonds are purchased under such scenario, the 2001A Bonds will be held in the name of the Mortgagor subject to Freddie Mac's security interest in such 2001A Bonds as evidenced by the Pledge Agreement.

In no event is Freddie Mac required to pay the Interest Component and Principal Component of such Guaranteed Payment with respect to 2001A Bonds that are Purchased Bonds.

The Initial Credit Facility terminates on the first to occur of (a) the date the 2001A Bonds are paid in full, (b) April 6, 2031, (c) the date on which the Trustee, after having received sufficient funds to redeem all of the 2001A Bonds Outstanding in accordance with the terms of the Resolution, shall have released all monies or securities held by it pursuant to the Resolution and shall have paid to Freddie Mac all amounts required to be paid under the Resolution, the Financing Agreement, the Credit Agreement and the Initial Credit Facility, and (d) the day the Initial Credit Facility is replaced by any Alternate Security.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE 2001A BONDS ARE SOLELY AS PROVIDED IN THE INITIAL CREDIT FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE INITIAL CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A CORPORATE INSTRUMENTALITY OF THE UNITED STATES, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2001A BONDS. THE 2001A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR ANY OTHER AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The Credit Agreement

The obligations of the Mortgagor to Freddie Mac to reimburse amounts paid under the Initial Credit Facility are evidenced by the Credit Agreement. Under the Credit Agreement, the Mortgagor has promised to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee for the Guaranteed Payments made on the Mortgage Loan as well as any payments made for Purchased Bonds upon a failed remarketing. The Credit Agreement also provides that the Mortgagor will pay Freddie Mac the Credit Enhancement Fee and pay the Servicer the Servicing Fee.

Events of Default

Under the provisions of the Credit Agreement, Freddie Mac may declare an Event of Default if (a) the Mortgagor fails to pay any amounts due under the Credit Agreement, (b) the Mortgagor fails to perform its obligations to deliver a Subsequent Cap, to provide notice or satisfactory evidence required by the Credit Agreement or to provide an executed counterpart of a Subsequent Cap when required, (c) the Mortgagor fails to observe or perform any other term, covenant, condition or agreement set forth in the Credit Agreement, which failure continues for thirty (30) days following notice from Freddie Mac (subject to certain limited rights to extend such period), (d) the Mortgagor fails to observe or perform any other term, covenant, condition or agreement set forth in any of the

Borrower Documents, or there otherwise occurs an “Event of Default” under the Reimbursement Mortgage, an event of default under the Conventional Loan Documents, an event of default under the HAC Subordinate Mortgage or an event of default under any of the other Borrower Documents (taking into account any applicable cure period), (e) any representation or warranty made by or on behalf of the Mortgagor in the Credit Agreement, in any other Borrower Document or in any certificate delivered by the Mortgagor to Freddie Mac or to the Servicer pursuant to the Credit Agreement or any other Borrower Document is inaccurate or incorrect in any material respect when made or deemed made, or (f) Freddie Mac has given the Mortgagor written notice that Purchased Bonds have not been remarketed as of the ninetieth (90th) day (the 365th day if a Bond became a Purchased Bond because of a Downgrade Remarketing Failure) following purchase by the Trustee on behalf of the Mortgagor and the Mortgagor has not reimbursed Freddie Mac for the applicable Liquidity Advance or Liquidity Withdrawal and Liquidity Use Fee or has not paid in full all fees and other amounts due to Freddie Mac under the Credit Agreement.

Remedies

Upon the occurrence of an Event of Default under the Credit Agreement, Freddie Mac may declare all the obligations of the Mortgagor under the Credit Agreement to be immediately due and payable, in which case all such obligations shall become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac shall have the right to take such action at law or in equity, without notice or demand, as it deems advisable to protect and enforce the rights of Freddie Mac against the Mortgagor in and to the Project conveyed by the Reimbursement Mortgage or the Mortgage, including, but not limited to, the following actions:

- (i) demand cash collateral or Investment Securities in the full amount of the obligations under the 2001A Bonds whether or not then due and payable by Freddie Mac under the Initial Credit Facility;
- (ii) give written notice to the Trustee stating that an Event of Default has occurred and is continuing under the Credit Agreement and directing the Trustee accelerate or cause the mandatory redemption or purchase of all or a portion of the 2001A Bonds; and
- (iii) exercise any rights and remedies available to Freddie Mac under any of the Borrower Documents.

The obligations of the Mortgagor under the Credit Agreement are non-recourse other than for certain specified occurrences and will be secured by the Reimbursement Security Documents.

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 2001A 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 2001A Bonds, or in any way impair the rights and remedies of such owners until the 2001A 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 2001A Bonds, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 2001A Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 2001A Bond for any period during which such 2001A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (a) a “substantial user” of the facilities financed with the proceeds of the 2001A Bonds or (b) a “related person.” The interest on the 2001A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. The interest on the 2001A Bonds, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinion, Bond Counsel has assumed compliance by the Corporation with its covenant in the

Resolution to 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 2001A Bonds shall be excluded from gross income for Federal income tax purposes.

In the opinion of Bond Counsel, under existing statutes, interest on the 2001A 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).

Summary of Certain Federal Tax Requirements

Applicable Federal tax law provides that gross income for Federal income tax purposes does not include interest on the 2001A Bonds, which are being issued to refund the 1989 Bonds, which 1989 Bonds were the most recent of a series of refundings of certain bonds which were issued before August 16, 1986 (the "Original Bonds"), if the 2001A Bonds meet the requirements of certain transition rules and all applicable requirements of the Code and the Internal Revenue Code of 1954, as amended (the "1954 Code").

Under applicable provisions of the 1954 Code, the exclusion from gross income of interest on the 2001A Bonds for purposes of Federal income taxation requires, with respect to the Project, that (i) at least 20% of the units in such Project (15% if the Project is located in certain low income or economically distressed areas) 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 United States Housing Act of 1937, as amended (the "1937 Housing Act") at the time of initial occupancy do not exceed 80% of the median income for the area and (ii) all of the units of such Project be rented or available for rental on a continuous basis during the Qualified Project Period or for so long as any 2001A Bonds are outstanding, whichever is longer. "Qualified Project Period" for the Project refinanced by the proceeds of the 2001A Bonds means a period commencing upon the later of (a) occupancy of 10% of the units in such Project or (b) the date of issue of the Original Bonds and running until the latest of (i) the date which is 10 years after occupancy of 50% of the units in such Project, (ii) the date which is subsequent to initial occupancy of the first such unit by a period of time equal to one-half the sum of the total number of days which comprise the term of the 2001A Bonds and the period of time that any prior obligations that were part of a series of refundings that were ultimately refunded by the 2001A Bonds remained outstanding or (iii) the date upon which any assistance provided with respect to a Project under Section 8 of the 1937 Housing Act terminates.

In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2001A Bonds, the Treasury Regulations provide that the exclusion of interest from gross income on the 2001A Bonds 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.

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2001A Bonds in order that interest on the 2001A 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 2001A Bonds proceeds, yield and other limits regarding investment of the proceeds of the 2001A 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 2001A Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into the 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 procedures or certifications set forth therein, the remedies available to the Corporation and/or 2001A 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 2001A Bonds is payable.

Certain Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2001A 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 2001A 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 2001A Bonds.

As noted above, interest on the 2001A Bonds must be taken into account in determining the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. In addition, interest on the 2001A Bonds must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of 2001A 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), financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

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 2001A Bonds will not have an adverse effect on the tax-exempt status or market price of the 2001A Bonds.

NO LITIGATION

The Corporation

At the time of delivery and payment for the 2001A 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 2001A Bonds, or in any way contesting or affecting the validity of the 2001A Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the 2001A Bonds or the existence or powers of the Corporation, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or challenging the exclusion of interest on the 2001A Bonds from gross income for Federal income tax purposes.

The Mortgagor

At the time of delivery and payment for the 2001A Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of the Mortgagor substantially to the effect that there is no litigation of any nature now pending, or to the knowledge of its partners threatened against the Mortgagor restraining or enjoining the sale, execution or delivery of the 2001A Bonds, or in any way contesting or affecting the validity of the 2001A 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 2001A Bonds.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2001A Bonds by the Corporation are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its Counsel, Winston & Strawn, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Counsel, Swidler Berlin Shereff Friedman, LLP, Washington, D.C. and by William M. Warren, Esq. and David Berliner, Esq., each as its in-house counsel. Certain legal matters will be passed upon for the Corporation by its General Counsel.

Certain legal matters will be passed upon for Federal Home Loan Mortgage Corporation by its Special Counsel, Ballard Spahr Andrews & Ingersoll, LLP, Washington, D.C. and by its Associate General Counsel.

LEGALITY OF 2001A BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 2001A 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 2001A Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has rated the 2001A Bonds "Aaa/VMIG 1". Such rating reflects only the views of Moody's. Moody's bases its rating on the Initial Credit Facility provided by Freddie Mac, and such rating is the same as the rating assigned by Moody's to Freddie Mac's senior unsecured debt. Such rating on the 2001A Bonds will be changed whenever Freddie Mac's ratings are changed. An explanation of the significance of such rating may be obtained from Moody's. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn by Moody's, if in the judgment of such agency circumstances so warrant. A revision or withdrawal of such rating may have an adverse effect on the market price of the 2001A 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 2001A 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 2001A 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 2001A Bond.

Additional information may be obtained from the undersigned at 110 William Street, 10th Floor, New York, New York 10038, (212) 227-5500.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinions, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Corporation and the purchasers or owners of any 2001A Bonds.

This Official Statement is submitted in connection with the sale of the 2001A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement and the distribution thereof have been duly authorized and approved by the Corporation and the Official Statement has been duly executed and delivered on behalf of the Corporation.

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION

By: /s/ Russell A. Harding
President

Dated: March 13, 2001

DEFINITIONS OF CERTAIN TERMS

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

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

“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, any general partner of the Mortgagor, the Corporation or the Credit Facility Provider, as and if applicable, under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

“Additional Bonds” means Bonds, other than the 2001A Bonds, authorized pursuant to the Resolution.

“Administrative Fee” means the servicing fee of the Corporation in the amount set forth in the Commitment, 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 Initial Credit Facility, including, but not limited to, a letter of credit, guaranty, standby loan commitment, bond or mortgage insurance policy, standby purchase agreement, credit enhancement agreement, collateral agreement or surety bond, mortgage-backed security or other credit or liquidity facility issued by a financial institution, including, without limitation, Freddie Mac, 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 fifteen (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) the Interest Requirement, and (b) if said Alternate Security is to be in effect during a Weekly 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 Intercreditor Agreement, with respect to, among other things, the Mortgage Loan, by the Corporation to the Trustee and the Credit Facility Provider, and acknowledged and agreed to by the Mortgagor, as the same may be amended or supplemented from time to time.

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

“Available Moneys” means, during the term of any Credit Facility, (i) moneys provided 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, any general partner of 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, any general partner of 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, in the event of an Act of Bankruptcy of the Mortgagor, any general partner of the Mortgagor or the Corporation, 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, in the event of an Act of Bankruptcy of the Mortgagor, any general partner of the Mortgagor or the Corporation. Notwithstanding the foregoing, (a) when used with respect to amounts due in respect of Purchased 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 Facility Provider and the Mortgagor, and satisfactory to the Trustee.

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

“Bond owner” or “owner” or “Bondholder” or “holder” 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 March of any year.

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (d) a day on which the permanent home office of the Credit Facility Provider is closed, (e) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent or the Remarketing Agent is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (f) 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, with respect to the 2001A Bonds, (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Facility Provider pursuant to the provisions of the Resolution for carrying out a purchase of 2001A Bonds pursuant to the Resolution in connection with an Event of Termination or (iv) a date specified by the Corporation pursuant to the provisions of the Resolution for carrying out a purchase of 2001A Bonds pursuant to the Resolution in connection with a Notice of Prepayment of the Mortgage Loan in Full.

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

“Code” means (i) with respect to the 2001A Bonds, the Internal Revenue Code of 1954 or 1986, each as amended from time to time, and as applicable to the 2001A Bonds pursuant to Section 1313(a) of the Tax Reform Act of 1986, as amended; and (ii) with respect to Additional Bonds, the Internal Revenue Code of 1954 or 1986, each as amended from time to time and as applicable to such Additional Bonds pursuant to a designation in the Supplemental Resolution authorizing such Additional Bonds.

“Commitment” means the HDC/HAC Financing Commitment and Agreement dated March 9, 2001, among the Corporation, the Housing Assistance Corporation and the Mortgagor, as the same may be amended or supplemented 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 Facility Provider, 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, with respect to the Initial Credit Facility, the Reimbursement and Security Agreement, dated as of the date of initial issuance of the 2001A Bonds, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

“Credit Facility” means the Initial Credit Facility 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.

“Credit Facility Payments Sub-Account” means the Credit Facility Payments Sub-Account established pursuant to the Resolution.

“Credit Facility Provider” means, so long as the Initial Credit Facility is in effect, the Initial Credit Facility Provider, or, so long as an Alternate Security is in effect, the issuer of or obligor under such Alternate Security.

“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, the provision of the 2001A 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 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 or other like payments in connection therewith.

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

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

“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.

“Financing Agreement” means the Financing Agreement dated as of the date of initial issuance of the 2001A Bonds, by and between the Corporation and the Mortgagor, with respect to the Mortgage Loan, as the same may be amended or supplemented from time to time.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a corporate instrumentality of the United States, and its successors and assigns.

“Government Obligations” means (i) direct and general 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.

“Initial Credit Facility” means the Direct Pay Credit Enhancement Agreement, dated as of the date of initial issuance of the 2001A Bonds between the Initial Credit Facility Provider and the Trustee, as the same may be amended, modified or supplemented from time to time.

“Initial Credit Facility Provider” means Freddie Mac.

“Interest Method Change Date” means any date on which the method of determining the interest rate on the 2001A Bonds changes or which is an Interest Adjustment Date pursuant to the Resolution, as established by the terms and provisions of the Resolution; provided that an Interest Method Change Date may only occur on an Interest Payment Date during any Weekly Rate Period, or if such day is not a Business Day, the next succeeding Business Day.

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

“Interest Requirement” means (a) during the Weekly Rate Period, 34 days’ interest on the Bonds at the Maximum Rate or such other number of days as may be permitted or required by the Rating Agency.

“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:

So long as the Initial Credit Facility is in effect,

- (a) direct and general obligations of the United States of America;
- (b) obligations of any agency or instrumentality of the United States of America the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America;
- (c) senior debt obligations of Freddie Mac;
- (d) senior debt obligations of the Federal National Mortgage Association;
- (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least P-1 by Moody’s which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation;
- (f) investment agreements with Freddie Mac or a bank or any insurance company or other financial institution which has a rating assigned by the Rating Agency to its outstanding long-term unsecured debt which is the highest rating

(as defined below) for long-term unsecured debt obligations assigned by the Rating Agency, and which are approved by the Initial Credit Facility Provider; or

(g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of direct obligations of the United States government, and which fund has been rated Aaa or the equivalent by the Rating Agency. For purposes of this definition, the “highest rating” shall mean a rating of at least P-1 or the equivalent for obligations with less than one year maturity; at least Aa2/P-1 or the equivalent for obligations with a maturity of one year or greater but less than three years; and at least Aaa or the equivalent for obligations with a maturity of three years or greater. Investment Securities must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

So long as the Initial Credit Facility is not in effect,

- (a) Government Obligations;
- (b) 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;
- (c) 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;
- (d) any other obligation of the United States of America or any Federal agencies which may be purchased by New York State Savings Banks;
- (e) deposits in interest-bearing time or demand deposits, or 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;
- (f) any participation certificate of the Federal Home Loan Mortgage Corporation and any mortgage-backed securities of the Federal National Mortgage Association;
- (g) 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;
- (h) obligations of the City and State of New York;
- (i) obligations of the New York City Municipal Water Finance Authority;
- (j) obligations, the principal and interest of which, are guaranteed by the City or State of New York;
- (k) 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
- (l) any other investment permitted under the Corporation’s investment guidelines adopted August 14, 1984, as amended from time to time.

“Mandatory Purchase Provision” means the purchase provision described in the Resolution.

“Maximum Rate” means fifteen percent (15%) per annum.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, if such successors and assigns shall continue to perform the functions of a securities rating agency.

“Mortgage” means the Multifamily Mortgage, Assignment of Rents and Security Agreement (together with all riders) securing the Mortgage Note, dated as of the date of initial issuance of the 2001A Bonds, executed by the Mortgagor with respect to the Project as the same may be amended, modified or supplemented from time to time.

“Mortgage Documents” means, collectively, (a) the Mortgage, (b) the Mortgage Note and (c) all other documents evidencing, securing or otherwise relating to the Mortgage Loan, other than the Financing Agreement.

“Mortgage Loan” means the interest-bearing loan, evidenced by the Mortgage Note and secured by the Mortgage, made by the Corporation to the Mortgagor.

“Mortgage Note” means the Multifamily Note (together with all addenda to the Multifamily Note), evidencing the Mortgage Loan, dated as of the date of initial issuance of the 2001A Bonds, executed by the Mortgagor in favor of the Corporation with respect to the Project, as the same may be amended, modified or supplemented from time to time.

“Mortgagor” means Queenswood Associates, L.P., a limited partnership organized and existing under and by virtue of the laws of the State of Delaware, which is the mortgagor with respect to the Mortgage Loan, and its successors and permitted transferees as owner of the Project.

“Mortgagor Tax Certification” means (a) with respect to the 2001A Bonds, the tax certification of the Mortgagor dated the date of initial issuance of the 2001A Bonds, and entitled “Mortgagor Supplement to Tax Certificate”, and (b) with respect to Additional Bonds to which the 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 in Full” 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.

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

- (c) any combination of (a) and (b) above;
- (3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and
- (4) any Bond deemed to have been paid as provided in the Resolution.

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

“Pledge Agreement” means, with respect to the Initial Credit Facility Provider and the Initial Credit Facility, the Pledge, Security and Custody Agreement, dated as of the date of initial issuance of the 2001A Bonds, between the Mortgagor and the Trustee, as custodian and collateral agent for the Initial Credit Facility Provider, and with respect to any other Credit Facility Provider providing an Alternate Security and such Alternate Security, any agreement between the Mortgagor and the Credit Facility Provider or the Trustee pursuant to which the Mortgagor agrees to pledge 2001A Bonds to the Credit Facility Provider in connection with the provision of moneys under such Alternate Security, in each case, as the same may be amended, modified or supplemented from time to time.

“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), as administrative, financing, extension or settlement fees of the Servicer or the Credit Facility Provider.

“PRF Letter of Credit” means one or more letters of credit naming the Trustee as the beneficiary, delivered in accordance with the provisions of the Resolution, issued by a financial institution with debt obligations rated (i) in the case of a PRF Letter of Credit with a term of less than one (1) year, at least "A-1" by the rating agency or agencies then rating the 2001A Bonds and (ii) in the case of a PRF Letter of Credit with a term of one (1) year or more, at least "A" by the rating agency or agencies then rating the 2001A Bonds.

“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 means the United States Trust Company of New York, 114 West 47th Street, New York, New York 10036-1532, when used with respect to the Tender Agent means 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, when used with respect to the Remarketing Agent means Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004 and when used with respect to the Credit Facility Provider means Federal Home Loan Mortgage Corporation, 8100 Jones Branch Drive, McLean, Virginia 22102, or such other offices designated to the Corporation in writing by the Trustee, Tender Agent, Remarketing Agent or Credit Facility Provider, as the case may be.

“Principal Reserve Amount” means \$2,160,000 or such other amount as shall be specified in writing by the Credit Facility Provider and filed with the Corporation and the Trustee; provided that such other amount shall only constitute the Principal Reserve Amount if there shall also be filed with the Corporation and the Trustee a Bond Counsel’s Opinion to the effect that such change in the Principal Reserve Amount hereunder will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any Bonds to which the covenants of the Resolution apply.

“Principal Reserve Fund” means the Principal Reserve Fund established pursuant to the Resolution.

“Project” means the multi-family rental housing development located at 54-09 100th Street and 54-39 100th Street in the Borough of Queens and County of Queens, City and State of New York, known as Queenswood Apartments.

“Purchased Bond” means any 2001A Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Mortgagor with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such 2001A Bond is remarketed to any person other than the Credit Facility Provider, the Mortgagor, any partner of the Mortgagor or the Corporation.

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

“Rating Agency” means each national rating agency which had originally rated the Bonds at the request of the Corporation and is then maintaining a rating on the Bonds.

“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 during any Weekly Rate Period, the Business Day immediately 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, the Mortgage or the Mortgage Note other than any assignment pursuant to 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 Amended and Restated Regulatory Agreement, dated as of the date of initial issuance of the 2001A Bonds, by and between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

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

“Remarketing Agreement” means, with respect to the 2001A Bonds, the Remarketing Agreement, dated as of the date of initial issuance of the 2001A 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.

“Replacement PRF Letter of Credit” means a letter of credit meeting the requirements of the Resolution which is substituted for an existing PRF Letter of Credit or cash on deposit in the Principal Reserve Fund.

“Resolution” means the Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments) Bond Resolution adopted by the Corporation on December 7, 2000 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 2001A Bonds or any series of Additional Bonds.

“Servicer” means any person appointed to service the Mortgage Loan in accordance with the Resolution.

“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.

“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 United States Trust Company of New York, a New York banking corporation, 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 2001A Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

“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.

“2001A 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 2001A Bonds which have not been delivered to the Tender Agent for purchase on or prior to the Change Date, or (ii) with respect to the Demand Purchase Option, any 2001A 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 in effect immediately following the issuance and delivery of the 2001A 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 2001A Bonds described in DESCRIPTION OF THE 2001A BONDS-Weekly Rate Period.

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

“Weekly Rate Term” means, with respect to any particular 2001A 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 the failure of the Credit Facility Provider to honor a draw made in accordance with the terms of the Credit Facility (which draw complies with, and conforms to, the terms and conditions of the Credit Facility).

**QUEENSWOOD ASSOCIATES, L.P. (A LIMITED PARTNERSHIP) FHA PROJECT
NUMBER 012-94013 FINANCIAL REPORT-INCOME TAX BASIS
DECEMBER 31, 2000 AND 1999**

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 January 31, 2001, the Corporation had bonds and notes outstanding in the aggregate principal amount of approximately \$2,502,854,879.09 for these purposes. All outstanding principal amounts of bonds and notes listed below are as of January 31, 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, all of which are outstanding, to finance a 151-unit project in Manhattan. On February 20, 2001, the Corporation redeemed \$5,100,000 of these bonds. 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 54th 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 26th 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-15th 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 \$23,300,000 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 July 28, 1999, the Corporation issued its \$5,900,000 Multi-Family Mortgage Revenue Bonds (Brook Avenue Gardens Project), 1999 Series A, all of which are outstanding, to finance a 79-unit development in Bronx County. On February 14, 2001, all of these bonds were redeemed. On October 5, 1999, the Corporation issued its \$7,000,000 Multi-Family Mortgage Revenue Bonds (Spring Creek III Project), 1999 Series A, all of which are outstanding, to finance a 100-unit development in Brooklyn. On February 26, 2001, all of these bonds were redeemed. 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 116th 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 \$22,270,000 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 \$36,715,000 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 \$147,800,000 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 \$55,220,000 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 89th Street Development), 2000 Series A, all of which are outstanding, to refinance a 265-unit building in Manhattan and to refund bonds previously issued by the Corporation to finance this development.

(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.

(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 \$5,500,000 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 \$9,180,000 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 \$377,269,879.09 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 \$289,899,879.09 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 21, 1996, the Corporation commenced loan servicing of thirty-seven permanent mortgage loans with an aggregate outstanding principal balance of \$225,369,031. 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 January 31, 2001 included a pool of 150 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 \$21,575,000 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 multifamily rental housing developments.

On October 15, 1997, the Corporation issued its \$30,000,000 Multi-Family Housing Revenue Bonds, 1997 Series C, of which \$27,105,000 is outstanding, to finance permanent mortgage loans in connection with the construction or rehabilitation of approximately forty-two multifamily rental housing developments, of which thirty-nine mortgage loans have been made as of January 31, 2001.

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. Six of these permanent loans originated as construction loans and have been converted upon completion of the 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 three construction loans and three permanent loans have been made as of January 31, 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 four permanent loans have been made as of January 31, 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 1999C 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 and one permanent loan have been made as of January 31, 2001. This permanent loan was partially funded with the proceeds of the 1999 Series B-1 and 1999 Series B-2 Bonds described above.

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 January 31, 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 January 31, 2001, the Corporation was servicing construction and permanent loans in the approximate face amount of \$1,367,835,889.04.

(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 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 C, *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 C, *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 2001A Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$10,800,000 Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments), 2001 Series A (the "2001A 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 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Rental Housing Revenue Bonds (Queenswood Apartments) Bond Resolution of the Corporation, adopted December 7, 2000 herein called the "Resolution". The 2001A Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution) in order to refinance the Project (as defined in the Resolution).

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 2001A Bonds in order that interest on the 2001A Bonds be and remain excluded from gross income for purposes of Federal income taxation. 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 2001A Bonds shall be excluded from gross income for Federal income tax purposes. In rendering this opinion, we have assumed compliance by the Corporation with such covenant.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2001A Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2001A 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 Financing 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 Financing 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 2001A 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 2001A 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 2001A 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 2001A 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 2001A Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2001A 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, interest on the 2001A Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 2001A Bond for any period during which such 2001A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (a) a "substantial user" of the facilities financed with the proceeds of the 2001A Bonds or (b) a "related person." Interest on the 2001A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, under existing statutes, interest on the 2001A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2001A 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 2001A Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,