

NEW ISSUE

**Federal Tax Exemption**

*2006 Series A Bonds: In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2006 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2006 Series A Bond for any period during which such 2006 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2006 Series A Bonds or a "related person," and (ii) interest on the 2006 Series A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.*

**State Tax Exemption**

*In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2006 Series A 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.*

**\$32,000,000**

**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**

**Multi-Family Rental Housing Revenue Bonds (Seaview Towers)**

**2006 Series A**

**Dated: Date of Delivery**

**Due: January 15 and July 15, as shown on the inside cover page**

The 2006 Series A Bonds will be issued in book-entry form only, in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). The 2006 Series A Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Interest on and principal of the 2006 Series A Bonds will be payable by Deutsche Bank Trust Company Americas, New York, New York as trustee for the 2006 Series A Bonds, to Cede & Co., as nominee of DTC. Purchasers of the 2006 Series A Bonds will not receive physical delivery of bond certificates. The 2006 Series A Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

The 2006 Series A Bonds relate to a multi-family rental housing facility located at 331 Beach 31st Street and 333 Beach 32nd Street in the Borough of Queens, New York (the "Project"). The 2006 Series A Bonds are being issued to finance a Mortgage Loan to Seaview Towers 2006, LP, a New York limited partnership (the "Mortgagor") in order to finance a portion of the cost of the acquisition and rehabilitation of the Project and pay certain additional costs related thereto.

Payment of principal of and interest on the 2006 Series A Bonds will be secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which the 2006 Series A Bonds are being issued, all as described herein. The principal of, interest on and Purchase Price of the 2006 Series A Bonds are payable from funds advanced under the Credit Facility issued by



The Credit Facility for the 2006 Series A Bonds (the "Credit Enhancement Instrument") will terminate on July 20, 2039, unless earlier terminated. Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Facility are absolute, unconditional and irrevocable.

The 2006 Series A Bonds are subject to optional and mandatory redemption and mandatory tender at the times and in the events set forth in the Resolution and described herein.

The 2006 Series A Bonds are being issued as fixed rate obligations which will bear interest at the fixed rates set forth on the inside cover page payable on each January 15 and July 15, commencing July 15, 2007.

**The 2006 Series A Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2006 Series A 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 2006 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 2006 SERIES A BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE 2006 SERIES A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE 2006 SERIES A BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

*The 2006 Series A 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 LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, O'Melveny & Myers LLP. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Nixon Peabody LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York. It is expected that the 2006 Series A Bonds will be available for delivery in New York, New York on or about December 20, 2006.*

**JPMorgan**

Dated: December 14, 2006

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

### \$32,000,000 2006 Series A Bonds

### \$15,160,000 2006 Series A Serial Bonds

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u> <sup>†</sup>
July 15, 2007	\$395,000	3.70%	100%	64970HCP7
July 15, 2008	700,000	3.75%	100%	64970HCQ5
January 15, 2009	5,880,000	3.95%	100%	64970HCR3
July 15, 2009	720,000	3.85%	100%	64970HCS1
July 15, 2010	930,000	3.90%	100%	64970HCT9
July 15, 2011	975,000	3.95%	100%	64970HCU6
July 15, 2012	1,015,000	4.00%	100%	64970HCV4
July 15, 2013	1,055,000	4.05%	100%	64970HCW2
July 15, 2014	1,105,000	4.10%	100%	64970HCX0
July 15, 2015	1,165,000	4.15%	100%	64970HCY8
July 15, 2016	1,220,000	4.20%	100%	64970HCZ5

**\$8,575,000 4.60% 2006 Series A Term Bonds due July 15, 2026 – Price 100% CUSIP No. 64970HDA9<sup>†</sup>**

**\$8,265,000 4.75% 2006 Series A Term Bonds due July 15, 2039 – Price 100% CUSIP No. 64970HDB7<sup>†</sup>**

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<sup>†</sup> CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the owners of the 2006 Series A Bonds. Neither the State nor the Corporation is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2006 Series A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2006 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2006 Series A Bonds.

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 2006 Series A 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; Fannie Mae; the Mortgagor (in the case of information contained herein relating to the Mortgagor, the Mortgage Loan and other financing and the Project); and other sources which are believed to be reliable. Such information herein is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation, Fannie Mae or the Mortgagor, since the date hereof.

**Fannie Mae has not provided or approved any information in this Official Statement except with respect to the description under the heading "FANNIE MAE," takes no responsibility for any other information contained in this Official Statement, and makes no representation as to the contents of this Official Statement. Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the 2006 Series A Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the 2006 Series A Bonds is limited to-delivering the Credit Enhancement Instrument described herein to the Trustee.**

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 SERIES A 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 2006 SERIES A 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.

THE 2006 SERIES A BONDS 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.

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## **NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**

**\$32,000,000**

### **Multi-Family Rental Housing Revenue Bonds (Seaview Towers) 2006 Series A**

This Official Statement (including the cover page, the inside cover page and appendices) provides certain information concerning the New York City Housing Development Corporation (the “Corporation”) in connection with the sale of \$32,000,000 aggregate principal amount of Multi-Family Rental Housing Revenue Bonds (Seaview Towers), 2006 Series A (the “2006 Series A Bonds”).

The 2006 Series A 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 (Seaview Towers) Bond Resolution” adopted by the Members of the Corporation on September 25, 2006. 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 2006 Series A Bonds, are herein referred to as the “Bonds.” Deutsche Bank Trust Company Americas, located in New York, New York will act as trustee for the 2006 Series A Bonds (with its successors, the “Trustee”). Certain defined terms used herein are set forth in Appendix A hereto.

### **INTRODUCTION**

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State of New York (the “State”). The Corporation was created by the Act for the purpose of providing and encouraging the investment of private capital in safe and sanitary dwelling accommodations in the City of New York either 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, or in areas designated as blighted 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 Bonds relate to a multi-family rental housing facility located at 331 Beach 31st Street and 333 Beach 32nd Street in the Borough of Queens, New York (the “Project”). The 2006 Series A Bonds are being issued to finance a mortgage loan (the “Mortgage Loan”) to Seaview Towers 2006, LP, a New York limited partnership (the “Mortgagor”) to finance a portion of the cost of the acquisition and rehabilitation of the Project and pay certain additional costs related thereto. See “THE PROJECT AND THE MORTGAGOR” and “ESTIMATED APPLICATION OF FUNDS” herein.

Concurrently with, and as a condition precedent to, the issuance of the 2006 Series A Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable, direct-pay credit enhancement instrument, dated the date of issuance of the 2006 Series A Bonds, executed and delivered by Fannie Mae (the “Credit Enhancement Instrument”). Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) the principal (without premium) of the 2006 Series A Bonds when due by reason of acceleration, redemption, defeasance or stated maturity, (ii) the maximum amount of interest to accrue on the 2006 Series A Bonds (computed at the interest rates stated on the inside front cover hereof) during any semi-annual interest payment period when due on or prior to their stated maturity date and (iii) the Fee Component. Fannie Mae will also advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the 2006 Series A Bonds and the maximum amount of interest to accrue on the 2006 Series A Bonds (computed at the interest rates stated on the inside front cover hereof) during any semi-annual interest payment period when due on or prior to their stated maturity date, in order to pay the Purchase Price of 2006 Series A Bonds tendered pursuant to a mandatory tender of 2006 Series A Bonds resulting from an Event of Termination. The Credit Enhancement

Instrument will expire on July 20, 2039, unless terminated earlier in accordance with its terms, as described herein. The Credit Enhancement Instrument constitutes a “Credit Facility” under the Resolution and Fannie Mae constitutes a “Credit Facility Provider” under the Resolution.

The Mortgage Loan is to be evidenced by a mortgage note in an initial amount corresponding to the amount of 2006 Series A Bond proceeds (as the same may be amended or supplemented, the “Mortgage Note”). The Mortgage Loan shall be secured by a mortgage on the Project (as the same may be amended and supplemented, the “Mortgage”). The Mortgage Note and Mortgage are to be assigned by the Corporation to the Trustee and Fannie Mae, 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 Fannie Mae but will retain the right to receive payments on the Mortgage Note subject to Fannie Mae’s right to direct the Trustee to assign its entire interest in the Mortgage Loan to Fannie Mae. See “SECURITY FOR THE BONDS.”

The 2006 Series A 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 accordance with the terms of the Resolution. In addition, the 2006 Series A Bonds are payable from advances under the Credit Enhancement Instrument. See “SECURITY FOR THE BONDS.”

The Mortgagor will enter into a Reimbursement Agreement with respect to the Credit Enhancement Instrument (the “Reimbursement Agreement”) with Fannie Mae pursuant to which the Mortgagor will agree to reimburse Fannie Mae for any payments made by Fannie Mae under the Credit Facility. Pursuant to the Reimbursement Agreement, the Mortgagor is required to forward, or cause to be forwarded, to Fannie Mae a standby letter of credit (the “Construction LOC”) to be in effect during the period of rehabilitation of the Project. The Mortgagor has arranged for The Bank of New York (the “Construction Lender”) to issue the Construction LOC. *The Construction LOC is security for Fannie Mae only, not the Bondholders and may not be drawn on by the Trustee.* The Construction Lender, Fannie Mae, the Servicer and the Mortgagor will enter into a Construction Phase Financing Agreement (the “Construction Phase Financing Agreement”) with respect to the administration of the Mortgage Loan while the Construction LOC is in effect. Upon compliance with certain conditions contained in the Construction Phase Financing Agreement and the Reimbursement Agreement, the Construction LOC will be returned to the issuer thereof. Failure to meet such conditions by December 1, 2008 (subject to extension to June 1, 2009 at the request of the Mortgagor and the satisfaction of certain conditions) will be an event of default under the Reimbursement Agreement and Fannie Mae may thereupon direct the mandatory redemption or, at the direction of the Construction Lender, the mandatory tender of all of the 2006 Series A Bonds. In addition, in order to meet such conditions, the Mortgagor may be required to prepay a portion of the Mortgage Loan (as a condition to returning the Construction LOC and, under certain circumstances, at a subsequent time), resulting in a redemption of an equal principal amount of the 2006 Series A Bonds. See “THE MORTGAGE LOAN AND OTHER FINANCING” and “DESCRIPTION OF THE 2006 SERIES A BONDS – Redemption of 2006 Series A Bonds – Mandatory – Mandatory Redemption from Certain Recoveries of Principal.”

Upon an event of default under the Reimbursement Agreement while the Construction LOC is in effect, Fannie Mae, at the direction of the Construction Lender or in the discretion of Fannie Mae with respect to certain events of defaults, may direct the mandatory tender or mandatory redemption of all of the 2006 Series A Bonds. Upon an event of default under the Reimbursement Agreement after the Construction LOC is terminated, Fannie Mae, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 2006 Series A Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT,” “DESCRIPTION OF THE 2006 SERIES A BONDS – Redemption of 2006 Series A Bonds – Mandatory – Mandatory Redemption Following an Event of Termination” and “DESCRIPTION OF THE 2006 SERIES A BONDS – Credit Facility Provider’s Right To Cause a Mandatory Tender for Purchase of 2006 Series A Bonds Upon an Event of Termination.”

The 2006 Series A Bonds are fixed rate obligations which will bear interest from their dated date, at the rates per annum set forth on the inside cover page of this Official Statement. See “DESCRIPTION OF THE 2006 SERIES A BONDS – General.”

As more fully described herein, the loss of exclusion of interest on the 2006 Series A Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the 2006 Series A Bonds.

**The 2006 Series A 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 2006 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 2006 SERIES A BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE 2006 SERIES A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE 2006 SERIES A BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Descriptions of the 2006 Series A Bonds and sources of payment, the Corporation, Fannie Mae, the Mortgagor, the Project, the Mortgage Loan, the Credit Enhancement Instrument, the Resolution, the Reimbursement Agreement and certain related agreements are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2006 Series A 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 will provide certain information on an ongoing basis to certain repositories. For a description of the Mortgagor's undertaking with respect to ongoing disclosure, see "CONTINUING DISCLOSURE."

## **THE CORPORATION**

### Purposes and Powers

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State, 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 (the "City") 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, or in areas designated as blighted 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 co-insured by the Federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any Federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from the City, obtain Federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the 2006 Series A Bonds, notes, or other obligations are outstanding.

The sale of the 2006 Series A 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 Bonds is subject to the review of the New York State Financial Control Board for The City of New York.

### 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 and the Director of Management and Budget of the City (such officials to serve ex-officio), and four (4) public members, two (2) appointed by the Mayor of the City (the “Mayor”) and two (2) appointed by the Governor of the State. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four (4) 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

**SHAUN DONOVAN**, Chairperson and Member ex-officio. Mr. Donovan was appointed Commissioner of HPD by Mayor Michael R. Bloomberg, effective March 29, 2004. Prior to becoming Commissioner, Mr. Donovan was a Managing Director at Prudential Mortgage Capital Company. Before Prudential, Commissioner Donovan was a visiting scholar at New York University where he studied Federally-assisted and Mitchell-Lama housing in New York City. He has held several positions at the United States Department of Housing and Urban Development including Acting Federal Housing Commissioner and Deputy Assistant Secretary for Multifamily Housing. Mr. Donovan received his Bachelor of Arts degree from Harvard University and has a Master in Public Administration degree from Harvard’s John F. Kennedy School of Government and a Master in Architecture degree from Harvard Graduate School of Design.

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

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

**HARRY E. GOULD, JR.**, Member, term expires December 31, 2007. 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 was a member of the Board of Directors of Domtar, Inc., the largest Canadian manufacturer of packaging and fine paper from 1995 to 2003. He is a



member of the Board of Directors of the USO of Metropolitan New York. He was a member of the Board of Trustees of the American Management Association from 1996 to 1999. 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, term expires December 31, 2008. Mr. Kelly is the managing partner of the Flying Point Group LLC which is a structured financial products and asset management company. Prior to that, Mr. Kelly was Managing Director of Ambac Capital Corporation and oversaw all of the non-insurance businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.

**MATHEW M. WAMBUA**, Member, term expires December 31, 2009. Mr. Wambua is the Senior Policy Advisor for the New York City Deputy Mayor of Economic Development. Prior to joining the Mayor's Office, Mr. Wambua was Vice President for Special Projects at the New York City Economic Development Corporation. He previously was a senior investment officer for General Electric Capital Commercial Real Estate. Mr. Wambua has a B.A. from the University of California at Berkeley and a Masters in Public Policy from Harvard University's John F. Kennedy School of Government. Mr. Wambua also is an adjunct professor of real estate finance at New York University and previously taught managerial economics at the New School University.

Principal Officers

**SHAUN DONOVAN**, Chairperson.

**VACANT**, Vice Chairperson.

**EMILY A. YOUSOUF, President.** Ms. Youssef was appointed President of the Corporation on November 3, 2003. Prior to joining the Corporation, Ms. Youssef was the President of Natlis Settlements, LLC, a specialty finance company. Before joining Natlis Settlements, LLC, Ms. Youssef held various senior positions at Credit Suisse First Boston, Prudential Securities and Merrill Lynch, Pierce, Fenner & Smith, Incorporated. During her tenure at Merrill Lynch, Ms. Youssef was a Managing Director in the Housing Finance Department responsible for securing and syndicating mortgage-and asset-backed securities. Ms. Youssef was also Vice President of Tax-Exempt Housing Finance for Standard & Poor's Ratings Services, where she specialized in tax-exempt bond finance in both multi- and single-family housing. She also developed Standard & Poor's rating criteria for Section 8 Housing Bonds and for single-family Mortgage Revenue Bonds. Ms. Youssef is a graduate of Wagner College and holds an M.A. degree in Urban Affairs and Policy Analysis from the New School for Social Research.

**JOHN A. CROTTY, Executive Vice President and Chief of Staff.** Mr. Crotty was appointed Executive Vice President and Chief of Staff of the Corporation on April 15, 2004. Prior to joining the Corporation, Mr. Crotty was Director of City Legislative Affairs for the Mayor of New York City where he directed a staff responsible for preparing the Mayor's legislative agenda in the City Council. Prior to joining the Mayor's Office, Mr. Crotty held a variety of telecommunication positions at MCI, Winstar and most recently with Verizon in its Corporate Development Department. Mr. Crotty was also employed by PaineWebber as a member of their short term remarketing desk. Mr. Crotty is a graduate of the University of Rochester and has his M.B.A. from Columbia Business School.

**RICHARD M. FROEHLICH, Senior Vice President and General Counsel.** Mr. Froehlich, an attorney and member of the New York State Bar, was appointed Senior Vice President and General Counsel of the Corporation effective November 17, 2003. Prior to joining the Corporation, he was Counsel at the law firm of O'Melveny & Myers LLP in its New York City office, where Mr. Froehlich's practice focused on real estate and public finance with a particular emphasis on affordable housing. From 1993 to 1998, Mr. Froehlich was an Assistant Counsel at the New York State Housing Finance Agency. Upon graduation from law school, he practiced law at the New York City office of Skadden, Arps, Slate, Meagher & Flom. Mr. Froehlich received his B.A. degree from Columbia College, Columbia University and his J.D. from Columbia University School of Law. Mr. Froehlich is on the board of directors of New Destiny Housing Corp., a New York non-profit corporation.

**TERESA GIGLIELLO, Senior Vice President—Portfolio Management.** Ms. Gigliello was appointed a Senior Vice President of the Corporation on August 3, 1998. Prior to such appointment, Ms. Gigliello held the position of Director of Audit. She began her career with the Corporation in 1985 as an accountant and served as the Corporation's Internal Auditor from 1986 until her appointment as Director of Audit in 1995. Ms. Gigliello received a Bachelor of Science degree from St. John's University.

**RACHEL GROSSMAN, Senior Vice President of Development.** Ms. Grossman was appointed Senior Vice President of Development of the Corporation on March 15, 2005. Prior to her appointment she served as the Vice President of Development and, since October of 2004, acting head of the Corporation's development department. In 1998, Ms. Grossman began her career at the Corporation as a project manager structuring financing programs and transactions and was promoted to the position of Assistant Vice President in December 2003. Her previous experience includes work with Neighborhood Housing Services of New York City and the Neighborhood Reinvestment Corporation in Boston, MA. Ms. Grossman holds a B.A. in Political Science/International Studies from Yale University and a Masters degree in Public Policy from Harvard University's John F. Kennedy School of Government.

**CATHLEEN BAUMANN, Acting Chief Financial Officer.** Ms. Baumann was appointed Acting Chief Financial Officer of the Corporation on October 18, 2006. She has held the position of Deputy CFO since September 2004. Prior to this position Ms. Baumann held the position of Vice

President of Internal Audit. Ms. Baumann joined the Corporation in 1988 as an Accountant and has also held the positions of Senior Accountant and Internal Auditor. Ms. Baumann received her bachelor's degree with majors in Accounting and Economics from Queens College of the City University of New York and her MBA in Finance from Baruch College's Zicklin School of Business of the City University of New York.

**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. Ms. Willig received a Bachelor of Science degree from Cornell University and her J.D. from Cardozo School of Law.

### **THE MORTGAGE LOAN AND OTHER FINANCING**

The Resolution authorizes the Corporation to issue the 2006 Series A Bonds to provide moneys to finance the Mortgage Loan in order to finance a portion of the cost of the acquisition and rehabilitation of the Project and pay certain additional costs related thereto. As a condition to the initial issuance and delivery of the 2006 Series A Bonds, Fannie Mae is to deliver the Credit Facility to the Trustee. The Corporation and the Mortgagor will enter into a financing agreement (as the same may be amended or supplemented, the "Loan Agreement"), simultaneously with the issuance of the 2006 Series A Bonds. If the costs of acquiring and rehabilitating the Project are less than the amount originally anticipated and, in turn, the Mortgage Loan is made in an amount less than the amount originally anticipated, a portion of the 2006 Series A Bonds may be redeemed. See "DESCRIPTION OF THE 2006 SERIES A BONDS — Redemption of 2006 Series A Bonds – Optional – Special Optional Redemption" herein. The Mortgage Loan is to be evidenced by the Mortgage Note, executed by the Mortgagor in favor of the Corporation and secured by the Mortgage. The Mortgagor is required under the Mortgage Note to make monthly payments sufficient in the aggregate to pay debt service on the 2006 Series A Bonds. Pursuant to the terms of the Resolution, and the Assignment and Agreement, by and among the Corporation, the Trustee and the Credit Facility Provider and acknowledged by the Mortgagor and the Construction Lender (the "Assignment"), the Corporation will assign and deliver to Fannie Mae 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 the Mortgage Documents. Fannie Mae has the right under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Fannie Mae upon the occurrence of an "event of default" under the Reimbursement Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

Pursuant to the Reimbursement Agreement, the Mortgagor will be required to make a mandatory prepayment of approximately \$5,880,000 (the "Mortgage Loan Mandatory Prepayment") on or before January 15, 2009. Said prepayment is expected to be used to reimburse Fannie Mae for a draw to pay upon redemption prior to maturity or at maturity the 2006 Series A Bonds which mature on January 15, 2009. Although a significant source of funds for the Mortgage Loan Mandatory Prepayment for the Mortgage Loan is expected to come from the syndication of federal low income housing tax credits with respect to the Mortgage Loan, the Mortgage Loan Mandatory Prepayment is required to be made by the Mortgagor whether or not the federal low income housing tax credit syndication proceeds are obtained. Failure by the Mortgagor to make the required Mortgage Loan Mandatory Prepayment would result in a default under the Mortgage Loan and the Reimbursement Agreement and may, at the option of the Credit Facility Provider, result in a mandatory tender or redemption of all or a portion of the 2006 Series A Bonds. See "DESCRIPTION OF THE 2006 SERIES A BONDS – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2006 Series A Bonds Upon an Event of Termination" and "– Mandatory Redemption Following Event of Termination" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein.

Simultaneously with the issuance of the 2006 Series A Bonds, the Corporation will be making a separate subordinate mortgage loan in the approximate amount of \$10,315,000 to the Mortgagor to be used to pay a portion of the acquisition price of the Project and another separate subordinate mortgage loan in the amount of \$1,160,000 to the Mortgagor to finance the cost of certain repairs to the Project (collectively, the "Non-Bond Loans"). No

additional Bonds will be issued by the Corporation under the Resolution to finance the Non-Bond Loans and the Corporation has not pledged the scheduled or other payments required by the Non-Bond Loans or the subordinate mortgages securing the Non-Bond Loans for the benefit of the owners of the 2006 Series A Bonds. The Non-Bond Loan to be used to pay a portion of the acquisition price of the Project will mature after the last maturity date of the 2006 Series A Bonds, will not amortize and will bear interest at 1%, although the Mortgagor will be required to apply a portion of surplus cash flow to prepay such Non-Bond Loan. The other Non-Bond Loan will mature on January 1, 2037, will amortize over the term of such Non-Bond Loan and will bear interest at 6.25%. A default under a Non-Bond Loan is a default under the Mortgage Loan.

Pursuant to the terms and conditions of the Reimbursement Agreement, on or prior to the date of issuance of the 2006 Series A Bonds, the Mortgagor is required to provide to Fannie Mae a standby letter of credit (the "Construction LOC") in an amount specified by Fannie Mae. The Mortgagor has arranged for The Bank of New York (the "Construction Lender") to issue the Construction LOC. The Construction LOC is to be in effect during the period of rehabilitation of the Project, and has an expiration date of January 30, 2009 (subject to extension to July 30, 2009 at the request of the Mortgagor and the satisfaction of certain conditions). Such Construction LOC is to provide for the timely reimbursement to Fannie Mae of advances under the Credit Enhancement Instrument in connection with a redemption or mandatory tender of the 2006 Series A Bonds following an event of default under the Reimbursement Agreement on or before the termination of the Construction LOC. The Mortgagor's obligation to reimburse the Construction Lender for amounts drawn under the Construction LOC will be secured by a mortgage on the Project (subordinate to the Mortgage but prior to the mortgages securing the Non-Bond Loans) and by a pledge of all of the interests of the general partner of the Mortgagor in the Mortgagor. *The Construction LOC is security for Fannie Mae only, not the Bondholders, and may not be drawn on by the Trustee.*

Upon compliance with certain conditions contained in the Construction Phase Financing Agreement and the Reimbursement Agreement (the "Mortgage Loan Conversion"), the Construction LOC will be returned to the Construction Lender. Such conditions include completion of rehabilitation of the Project, maintenance of certain occupancy levels and receipt by the Trustee of amounts sufficient to pay (at or prior to maturity) the 2006 Series A Bonds maturing on January 15, 2009. Failure of the Mortgage Loan Conversion to occur by January 15, 2009 (subject to extension to July 15, 2009 at the request of the Mortgagor and the satisfaction of certain conditions) will be an event of default under the Reimbursement Agreement and Fannie Mae may thereupon direct the mandatory redemption or, at the direction of the Construction Lender, the mandatory tender of all of the 2006 Series A Bonds. In addition, upon an event of default under the Reimbursement Agreement while the Construction LOC is in effect, Fannie Mae, at the direction of the Construction Lender or in the discretion of Fannie Mae with respect to certain events of default, may direct the mandatory tender or mandatory redemption of all of the 2006 Series A Bonds. See "DESCRIPTION OF THE 2006 SERIES A BONDS — Credit Issuer's Right to Cause a Mandatory Tender for Purchase of 2006 Bonds Upon an Event of Termination" and "Redemption of 2006 Series A Bonds – Mandatory – Mandatory Redemption – Following an Event of Termination" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein. *Fannie Mae, in its discretion, may waive the requirements described in this and the preceding paragraph, may agree to extend the time to satisfy such requirements or may agree to otherwise amend such requirements. Such waiver, extension or amendment may be effected without the consent of the Corporation, the Trustee or the Bondholders.*

The Construction Phase Financing Agreement and the Reimbursement Agreement also provide that, as a condition to Mortgage Loan Conversion, the principal amount of the Mortgage Loan may not be greater than an amount determined based on the occupancy of the Project at the time of Mortgage Loan Conversion and the level of net income then generated by the Project (the "Permanent Phase Mortgage Loan Amount"). If the Mortgage Loan outstanding at such time is greater than the Permanent Phase Mortgage Loan Amount, then the Mortgagor is required to either (i) prepay the Mortgage Loan in an amount equal to such difference (rounded up to the nearest \$5,000) (ii) at the option of the Mortgagor, provide to Fannie Mae a letter of credit in the amount of such difference (plus interest and fees related thereto) or (iii) at the option of the Mortgagor, provide to Fannie Mae a letter of credit in the amount of a portion of such difference (plus interest and fees related thereto) and prepay the remainder of the difference. *Such a letter of credit would be security for Fannie Mae only, not the Bondholders, and the Trustee would not be able to draw on such letter of credit.* If the Mortgagor provides such a letter of credit, then not later than June 1, 2010, the Permanent Phase Mortgage Loan Amount will be recalculated based on then-current occupancy and net income of the Project. If the Mortgage Loan outstanding at such time is greater than the Permanent Phase Mortgage Loan Amount (as recalculated at such time or as originally calculated, whichever is

higher), the Mortgagor will be required to prepay the Mortgage Loan in the amount of such difference (rounded up to the nearest \$5,000). Any Mortgage Loan prepayments described in this paragraph will be applied to reimburse Fannie Mae for amounts drawn on the Credit Enhancement Instrument to effect the redemption of an equal principal amount of the 2006 Series A Bonds as described in the first paragraph under “DESCRIPTION OF THE 2006 SERIES A BONDS — Redemption of 2006 Series A Bonds – Mandatory – Mandatory Redemption from Certain Recoveries of Principal.” *Fannie Mae, in its discretion, may waive the requirements described above, may agree to extend the time to satisfy such requirements or may agree to otherwise amend such requirements. Such waiver, extension or amendment may be effected without the consent of the Corporation, the Trustee or the Bondholders.*

To satisfy the conditions to release the letter of credit described in the preceding paragraph, the Mortgagor believes that it must reduce the operating expenses of the Project through efficiencies and, to a lesser degree, increase revenues by increasing rent payments. The Mortgagor anticipates that, based on the projected expenses and revenues, it will satisfy such conditions by June 1, 2010. These projections are based on a number of assumptions and there can be no assurance that the conditions will be achieved by such date or at all.

The ability of the Mortgagor to pay the Mortgage Loan, satisfy the conditions to Mortgage Loan Conversion and/or satisfy the conditions to release the letter of credit described above is dependent on the revenues derived from the Project. Due to the inherent uncertainty of future events and conditions, no assurance can be given that revenues generated by the Project will be sufficient to pay expenses of such Project, including without limitation, debt service on the Mortgage Loan and the Non-Bond Loans, operating expenses, servicing fees, fees due to Fannie Mae, Trustee and Tender Agent fees, and fees owed to the Corporation. The ability of the Project to generate sufficient revenues may be affected by a variety of factors including, but not limited to, completion of repairs to such Project, maintenance of a certain level of occupancy, the Project’s continued eligibility for interest reduction payments provided by the United States Department of Housing and Urban Development (“HUD”) pursuant to Section 236 of the National Housing Act (“NHA”), continued funding by HUD of Enhanced Vouchers (as defined below), full and timely receipt of subsidy payments, the ability to achieve increases in rents as necessary to cover 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 all of the units in the Project to persons or families of moderate and low income and the amount of rent that may be charged for such units may be materially less than market rates. In addition to these factors, other adverse events may occur from time to time which may have a negative impact on the occupancy level and rental income of the Project. For a discussion of Section 236 and Enhanced Vouchers, see “APPENDIX D – DESCRIPTION OF THE SUBSIDY PROGRAMS.”

Failure of the Mortgagor to make payments when due under the Mortgage Loan or either Non-Bond Loan or the Reimbursement Agreement will result in an event of default under the Mortgage Loan and the Reimbursement Agreement and may, at the option of the Credit Facility Provider (exercised at the direction of the Construction Lender while the Construction LOC is in effect), result in a mandatory tender or redemption of all or a portion of the 2006 Series A Bonds. See “DESCRIPTION OF THE 2006 SERIES A BONDS – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2006 Series A Bonds Upon an Event of Termination” and “– Mandatory Redemption Following Event of Termination” herein. See also “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT” herein.

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

## **THE PROJECT AND THE MORTGAGOR**

The following information has been provided by the Mortgagor for use herein. While the information is believed to be reliable, neither the Corporation, the Underwriter, Fannie Mae 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 2006 Series A Bonds are being issued to finance the Mortgage Loan to Seaview Towers 2006, LP (the "Mortgagor") for the purpose of paying a portion of the costs of acquiring and rehabilitating an existing 462 unit multi-family rental affordable housing facility consisting of two 20-story buildings located at 331 Beach 31st Street and 333 Beach 32nd Street in Far Rockaway in the borough of Queens in Queens County, New York and known as Seaview Towers. The Project was originally built in 1976 under the so-called "Mitchell-Lama" program and consists of 38 studio units, 190 one-bedroom units, 156 two-bedroom units and 76 three-bedroom units, and 2 additional 3 bedroom units set aside for the superintendents. The Project also contains on-site parking with 285 outdoor parking spaces, a playground area, and a community room. Each building also has a laundry facility. The Project has been operated since 1976 as housing for low and moderate income families under the HUD Section 236 and RAP programs, as described below. The level of occupancy of the Project as of August 2006 was approximately 96.3%. The level of occupancy at the Project has been approximately 99.04% in each of the years 2001-2005. The occupancy information is based on information that the Mortgagor received from the seller of Seaview Towers and, while the Mortgagor cannot independently verify such information, the Mortgagor has no reason to believe it is inaccurate.

The Project is approximately 30 years old and is considered to be in good to fair condition with some deferred maintenance which needs to be performed. Upon acquiring the Project, the Mortgagor intends to undertake a moderate rehabilitation which will include upgrading of the heating plant and building materials; roof repairs; in-unit capital improvements, such as installation, as needed, of new electrical panels and electric outlets, and the as-necessary replacement of kitchen cabinets, appliances, countertops and fixtures; and the installation of a new security system.

The primary architect for the rehabilitation of the Project is Rex A. Heuermann Architect, P.C. JMA Building Construction & Rehab, LLC, an affiliate of the Mortgagor, will be the construction manager for the rehabilitation of the Project. A-1 Realty Management Inc. (A-1), an affiliate of the Mortgagor, will manage the Project. A-1 presently manages one other apartment complex in the City of New York which contains approximately 340 units.

Project IV Realty, LLC, the general partner of the Mortgagor, will acquire 100% of the issued and outstanding stock of Michael J. Sessa Apartments, Inc. (f/k/a Seaview Towers Inc.) (the "Housing Company"), a housing company formed under Article II of the Private Housing Financing Law of the State of New York which holds a fee simple interest in the Project. It is also anticipated that the Mortgagor will acquire all beneficial and equitable ownership interest in the Project from the current owner of such interests, Seaview Towers Associates ("STA"). The Mortgagor and the Housing Company are to amend and restate the existing Declaration of Interest by and between the Housing Company and STA to provide that the Housing Company shall hold fee simple title to the Project as nominee for the Mortgagor, as beneficial owner. Based on the Housing Company's interest in the Project, the Project will continue to receive a partial exemption from real estate taxes in accordance with Section 33 of the Private Housing Finance Law of the State of New York.

In addition, the Mortgagor expects to receive an allocation of low-income housing tax credits for the Project, the proceeds from the syndication of which the Mortgagor expects to apply to pay a portion of the cost of acquiring and renovating the Project, as well as specified soft costs, and to pay at or prior to maturity the 2006 Series A Bonds maturing on January 15, 2009.

The regulatory agreement to be entered into between the Corporation and the Mortgagor (the "Regulatory Agreement") will require that at least 450 of the Project's residential revenue-producing units be rented to tenants whose incomes are at or below 60% of the New York City Area Median Income ("AMI"), adjusted for family size ("Low Income Units"). The Regulatory Agreement will further provide that the balance of the residential revenue-producing units (10 units) be rented to tenants whose incomes were at or below 80% of AMI at initial occupancy ("Section 236 Units") pursuant to the HUD 236 Interest Reduction Subsidy Program. The Project will continue to operate pursuant to HUD regulations for approximately 26 years. Prior to completion of rehabilitation, until the earlier to occur of (i) the date on which 450 of the Project's residential revenue-producing units are occupied as Low Income Units or (ii) the date of the final allocation of federal tax credits, units that are either currently vacant or are vacated by a tenant residing in a Section 236 Unit will be re-rented as and remain Low Income Units for the

remaining term of the Corporation's compliance period. Any unit which remains vacant or is vacated after the earlier to occur of (i) the date on which 450 of the Project's residential revenue-producing units are occupied as Low Income Units or (ii) the date of the final allocation of federal tax credits, may be re-rented as a Section 236 Unit for the remaining term of the Corporation's compliance period. The compliance period will be set forth in the Regulatory Agreement and will be for a period of not less than fifteen (15) years. Some or all of the tenants of the Section 236 Units and the Low Income Units may be eligible for rental assistance, as described below.

The Project currently benefits from the HUD Section 236 Interest Reduction Subsidy Program payments ("IRP"). The IRP results from two (2) separate contracts with HUD. The first IRP is in the approximate annual amount of \$759,000 and will benefit the Project through November 2017. The second IRP is in the approximate annual amount of \$597,762 and will benefit the Project through February 2026. The Project is also assisted with Rental Assistance Payments ("RAP") for 346 units. The RAP will terminate upon the prepayment of the existing mortgages simultaneously with the acquisition of the Project by the Mortgagor. It is anticipated that all of the tenants receiving RAP will receive Enhanced Vouchers, as described below.

The Mortgagor and the Corporation will enter into a contract (the "Section 236 Contract") with HUD providing for the continuation of the IRP following the acquisition of the Project by the Mortgagor. In addition, the Mortgagor will enter into a 236(e)(2) Use Agreement with the Secretary of HUD (the "Section 236 Use Agreement") which will obligate the Mortgagor to continue to abide by the restrictions of the HUD Section 236 Interest Reduction Subsidy Program until February 2031. The Section 236 Use Agreement will require the Mortgagor to restrict rents to a level approved by HUD and will also require that all of the units in the Project will be rented to persons or families with incomes of or below 80% of AMI.

Within 60 days of the closing the 2006 Series A Bonds, HUD will offer enhanced vouchers ("Enhanced Vouchers") to all Eligible Residents (as defined below) residing at the Project pursuant to the Section 8 Housing Assistance Payment Voucher Program and Section 8 of the United States Housing Act of 1937, as may be now or hereafter amended or supplemented. Enhanced Vouchers are provided by HUD to Eligible Residents to help offset the impact of rent increases. Enhanced Vouchers will be processed based upon the determination of the enhanced voucher administrator, which is the New York City Department of Housing Preservation and Development ("HPD"), and will be available to residents earning at or below 95% of the AMI ("Eligible Resident"). An Eligible Resident receiving an Enhanced Voucher will be required to contribute towards rent the greater of 30% of his/her adjusted income or the out-of-pocket rent the resident was paying prior to the acquisition of the Project by the Mortgagor. Enhanced Vouchers are subject to annual Congressional appropriations. Residents not eligible for Enhanced Vouchers will receive phased-in rent increases such that no such resident will receive a rent increase of greater than 10% in any given year.

The Mortgagor's obligations under the Mortgage Note is in the amount necessary to repay the Mortgage Loan, whether or not the IRP is received in the manner described above.

Because the Project is part of the Mitchell-Lama program, the City of New York Department of Housing Preservation and Development ("HPD") has and will continue to have supervisory authority over the Project.

For a discussion of Section 236, Enhanced Vouchers and HPD supervision, see "APPENDIX D – DESCRIPTION OF THE SUBSIDY PROGRAMS."

#### The Mortgagor

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

The general partner of the Mortgagor is Project IV Realty, LLC, a New York limited liability company (the "General Partner") which ownership will possess a .01% interest in the Mortgagor. The key principals of the

General Partner are Anthony Alizio, Peter J. Alizio and Paul Alizio. A limited partner of the Mortgagor is expected to be a private low-income housing tax credit investor affiliated with Alliant Capital, Ltd., which will provide an equity investment in the Mortgagor in exchange for an approximate 99.99% limited partner interest in the Mortgagor.

The above principals have over 40 years of aggregate experience developing affordable and market-rate multi-family rental housing. The same development team, has developed and/or acted as an investment limited partner in connection with approximately 20,000 units throughout the United States, at least half of which were in New York City.

## **FANNIE MAE**

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder-owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage-backed securities (“MBS”), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development (“HUD”) and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD (“OFHEO”). Approval of the Secretary of Treasury is required for Fannie Mae’s issuance of its debt obligations and MBS. The President of the United States may appoint five members of Fannie Mae’s Board of Directors, and the other thirteen are elected by the holders of Fannie Mae’s common stock. Since May 25, 2004, the date of Fannie Mae’s most recent annual shareholder’s meeting, the President has declined to exercise his authority to appoint directors, and those five Board positions will remain open unless and until the President names new appointees

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the “SEC”). The SEC filings are available at the SEC’s website at [www.sec.gov](http://www.sec.gov). The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae’s web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae’s safety and soundness regulator, OFHEO, announced in July 2003 that it was conducting a special examination of Fannie Mae’s accounting policies and practices, and in September 2004 issued a preliminary report of its findings to date. OFHEO subsequently identified additional accounting and internal control issues in February 2005, and issued its Report of the Special Examination of Fannie Mae (the “OFHEO Report”) on May 23, 2006.

On December 22, 2004, Fannie Mae reported that the Audit Committee of Fannie Mae’s Board of Directors (the “Board”) had determined that Fannie Mae’s previously filed interim and audited financial statements and the independent auditor’s reports thereon for the period from January 2001 through the second quarter of 2004 should no longer be relied upon because such financial statements were prepared using accounting principles that did not comply with U.S. generally accepted accounting principles (“GAAP”). Fannie Mae subsequently initiated an extensive restatement and re-audit of its financial statements with Fannie Mae’s new independent auditor, Deloitte & Touche LLP.



On December 6, 2006, Fannie Mae filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (“2004 10-K”), which included consolidated financial statements for 2004 and a restatement of previously issued financial information for 2002, 2003, and the first two quarters of 2004. Restatement adjustments relating to periods prior to January 1, 2002 are presented in Fannie Mae’s 2004 10-K as adjustments to retained earnings as of December 31, 2001.

The Board and Fannie Mae’s management have initiated numerous internal and external reviews of Fannie Mae’s accounting processes and controls, Fannie Mae’s financial reporting processes, and Fannie Mae’s application of GAAP. One of these external investigations was conducted by the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP (“Paul Weiss”), under the direction of former U.S. Senator Warren Rudman. On February 23, 2006, the Paul Weiss report to the Special Committee of the Board was publicly released, and included numerous findings about Fannie Mae’s accounting policies, practices and systems, compensation practices, corporate governance, and internal controls. On February 24, 2006, Fannie Mae filed a Form 8-K with the SEC that includes the Paul Weiss report.

The OFHEO Report presents OFHEO’s findings about Fannie Mae’s corporate culture, executive compensation programs, accounting policies and internal controls, internal and external auditors, senior management, and the Board. In conjunction with the release of the OFHEO Report, Fannie Mae entered into settlement agreements with both OFHEO and the SEC on May 23, 2006. The settlement agreements require Fannie Mae to pay civil penalties totaling \$400 million. In addition, the settlement agreement with OFHEO requires Fannie Mae to undertake certain remedial actions within a specified time frame to address the recommendations contained in the OFHEO Report, including an undertaking by Fannie Mae not to increase its “mortgage portfolio” assets except as permitted by a plan to be submitted by Fannie Mae for approval by OFHEO. The settlement agreements constitute comprehensive settlements between Fannie Mae and both OFHEO and the SEC relating to the activities of Fannie Mae during the time period in question. Please refer to Fannie Mae’s Form 8-K filed with the SEC on May 30, 2006 for further information about the OFHEO Report and the settlement agreements. A complete copy of the OFHEO Report is available on OFHEO’s website at [www.ofheo.gov](http://www.ofheo.gov).

On July 20, 2006, the Federal Reserve Board implemented revisions to its payment systems risk policy requiring all government sponsored enterprises, including Fannie Mae, to fully fund their accounts with the Federal Reserve Banks before making payments to debt and mortgage-backed securities investors. Fannie Mae complied with this policy by entering into various funding agreements with market participants. In connection with this policy change, Fannie Mae also entered into a new fiscal agency agreement with the Federal Reserve Bank of New York.

On August 24, 2006, Fannie Mae announced that it had been advised by the United States Attorney’s Office for the District of Columbia that it was discontinuing its investigation of Fannie Mae’s accounting policies and practices, and did not plan to file charges against Fannie Mae. Please refer to Fannie Mae’s Form 8-K filed with the SEC on August 24, 2006 for further information.

Fannie Mae filed its 2004 10-K with the SEC on December 6, 2006. Fannie Mae has not filed Quarterly Reports on Form 10-Q for the first, second and third quarters of 2005 or for the first, second and third quarters of 2006, nor has Fannie Mae filed its Annual Report on Form 10-K for the year ended December 31, 2005.

Form 8-K’s that Fannie Mae files with the SEC on or prior to the date of this Official Statement are incorporated herein by reference.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Fannie Mae’s role with respect to the Bonds is limited to issuing and discharging its obligations under the Credit Facility and exercising the rights reserved to it in the Resolution and the Reimbursement Agreement.

## DESCRIPTION OF THE 2006 SERIES A BONDS

### General

The 2006 Series A Bonds are to be dated and will mature as set forth on the inside cover page of this Official Statement. The 2006 Series A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the 2006 Series A Bonds will accrue from their dated date and be payable on each January 15 and July 15 commencing July 15, 2007 at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the 2006 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months. If the date for payment of interest on or principal or Redemption Price of the 2006 Series A Bonds is a day other than a Business Day, then payment may be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for payment, and in the case of such payment no interest shall accrue for the period from the date originally fixed for payment to such next succeeding Business Day.

### Redemption of 2006 Series A Bonds - Mandatory

**Mandatory Redemption from Certain Recoveries of Principal.** The 2006 Series A Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity, in an amount not in excess of any Recoveries of Principal (other than the Mortgage Loan Mandatory Prepayment and other than the advance payment in full or in part at the option of the Mortgagor of amounts to become due pursuant to the Mortgage Loan) at a Redemption Price equal to 100% of the principal amount of the 2006 Series A Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. **Recoveries of Principal include full or partial prepayments of the Mortgage Loan made by or on behalf of the Mortgagor as required at certain times when the outstanding principal amount of the Mortgage Loan is in excess of the Permanent Phase Mortgage Loan Amount as more fully described under “THE MORTGAGE LOAN AND OTHER FINANCING.”**

The 2006 Series A Bonds shall be subject to mandatory redemption, in whole or in part, at any time prior to maturity on or after January 15, 2017, in an amount not in excess of Recoveries of Principal resulting from the advance payments of amounts to become due pursuant to the Mortgage Loan at the option of the Mortgagor (not including the Mortgage Loan Mandatory Prepayment), at a Redemption Price equal to 100% of the principal amount of the 2006 Series A Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

**Mandatory Redemption on Bankruptcy of Credit Facility Provider.** The 2006 Series A 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 2006 Series A Bonds to be redeemed plus accrued interest to the Redemption Date.

**Mandatory Redemption Following an Event of Default.** The 2006 Series A Bonds are subject to mandatory redemption, in whole, at any time prior to maturity 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 2006 Series A Bonds to be redeemed, plus accrued interest thereon to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

**Mandatory Redemption Following an Event of Termination.** The 2006 Series A Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity 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 2006 Series A Bonds to be redeemed, plus accrued interest to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

### Extraordinary Redemption from Mortgage Loan Mandatory Prepayment

The 2006 Series A Bonds maturing on January 15, 2009 are subject to redemption in whole or in part at any time prior to maturity, from amounts representing Recoveries of Principal resulting from proceeds of the Mortgage Loan Mandatory Prepayment (which shall not include the proceeds of an optional prepayment as described in “Mandatory Redemption from Certain Recoveries of Principal” above), at a Redemption Price equal to one hundred

percent (100%) of the principal amount of such 2006 Series A Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date (see “THE MORTGAGE LOAN AND OTHER FINANCING” for the expected amount of the Mortgage Loan Mandatory Prepayment). It is expected that the Mortgagor will receive proceeds from the syndication of federal low income housing tax credits in an amount sufficient to make a significant portion of the Mortgage Loan Mandatory Prepayment and will make the Mortgage Loan Mandatory Prepayment upon receipt thereof. However, no assurance can be given that federal low income housing tax credit syndication proceeds will be obtained or, if obtained, will be in an amount sufficient to make a significant portion of the Mortgage Loan Mandatory Prepayments. The Mortgage Loan Mandatory Prepayment is required to be made by the Mortgagor whether or not the federal low income housing tax credit syndication proceeds are obtained. See “THE MORTGAGE LOAN AND OTHER FINANCING.”

#### Redemption of 2006 Series A Bonds – Optional

Optional Redemption. The 2006 Series A Bonds are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity on or after January 15, 2017, at a Redemption Price equal to 100% of the principal amount of the 2006 Series A Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Special Optional Redemption. The 2006 Series A Bonds other than the 2006 Series A Bonds maturing on January 15, 2009 are subject to redemption, at the option of the Corporation, in whole or in part, at any time prior to maturity, in an amount not in excess of amounts on deposit in the Bond Proceeds Account representing unexpended amounts allocable to the 2006 Series A Bonds that are not used to finance the Mortgage Loan, at a Redemption Price equal to 100% of the principal amount of the 2006 Series A Bonds or portions thereof to be so redeemed, plus interest accrued thereon to the Redemption Date.

#### Sinking Fund Redemption of the 2006 Series A Term Bonds

The 2006 Series A Bonds maturing on July 15, 2026 and July 15, 2039 (collectively, the “2006 Series A Term Bonds”) are subject to redemption at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof, plus accrued interest to the Redemption Date, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on January 15 and July 15 of each year the principal amount of such 2006 Series A Term Bonds as shown below:

#### 2006 Series A Term Bonds maturing July 15, 2026

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
January 15, 2017	\$635,000	January 15, 2022	\$395,000
July 15, 2017	655,000	July 15, 2022	405,000
January 15, 2018	425,000	January 15, 2023	420,000
July 15, 2018	450,000	July 15, 2023	430,000
January 15, 2019	335,000	January 15, 2024	445,000
July 15, 2019	345,000	July 15, 2024	455,000
January 15, 2020	350,000	January 15, 2025	465,000
July 15, 2020	365,000	July 15, 2025	480,000
January 15, 2021	375,000	January 15, 2026	370,000
July 15, 2021	390,000	July 15, 2026 <sup>†</sup>	385,000

<sup>†</sup> Stated maturity

2006 Series A Term Bonds maturing  
July 15, 2039

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
January 15, 2027	\$215,000	July 15, 2033	\$315,000
July 15, 2027	225,000	January 15, 2034	325,000
January 15, 2028	230,000	July 15, 2034	335,000
July 15, 2028	235,000	January 15, 2035	345,000
January 15, 2029	245,000	July 15, 2035	350,000
July 15, 2029	250,000	January 15, 2036	365,000
January 15, 2030	265,000	July 15, 2036	375,000
July 15, 2030	260,000	January 15, 2037	385,000
January 15, 2031	275,000	July 15, 2037	395,000
July 15, 2031	280,000	January 15, 2038	410,000
January 15, 2032	290,000	July 15, 2038	420,000
July 15, 2032	295,000	January 15, 2039	430,000
January 15, 2033	305,000	July 15, 2039 <sup>†</sup>	445,000

<sup>†</sup> Stated maturity

The amounts accumulated for each Sinking Fund Payment may be applied by the Trustee, at the direction of the Corporation, prior to the forty-fifth day preceding the due date of such Sinking Fund Payment, to the purchase of the applicable 2006 Series A Term Bonds, at prices (including any brokerage and other charges) not exceeding the par plus accrued interest to the date of purchase.

Upon the purchase or redemption of any 2006 Series A Term Bonds, other than by application of Sinking Fund Payments, an amount equal to the principal amount of the 2006 Series A Term Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to the 2006 Series A Term Bonds 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 (with the consent of the Credit Facility Provider) at the time of such purchase or redemption.

Selection of 2006 Series A Bonds to be Redeemed

If less than all of the 2006 Series A Bonds are to be redeemed at the option of the Corporation or from Recoveries of Principal, the Corporation shall select the maturity or maturities of the 2006 Series A Bonds to be redeemed from among such 2006 Series A Bonds. If less than all the 2006 Series A Bonds of like maturity are to be redeemed, the Trustee shall select the 2006 Series A Bonds to be redeemed by lot, using such method as it shall determine. Notwithstanding the foregoing, no 2006 Series A Bond shall be selected for redemption if the portion of such 2006 Series A 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 2006 Series A Bonds, or is required pursuant to the Resolution to redeem the 2006 Series A Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2006 Series A Bonds. Such notice is to specify, among other things, the 2006 Series A Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. The Trustee is to mail a copy of such notice postage prepaid to the registered owners of any 2006 Series A Bonds or portions of 2006 Series A Bonds which are to be redeemed, at their last addresses appearing upon the registry book not less than thirty (30) days before the Redemption Date. The foregoing provisions of this paragraph

do not apply in the case of any redemption of 2006 Series A Bonds of which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on the 2006 Series A Bonds after the Redemption Date if notice has been given, or is not required to be given, if the conditions precedent to the redemption, if any, have been satisfied, and if sufficient moneys have been deposited with the Trustee to pay the applicable Redemption Price and interest on the 2006 Series A Bonds on such date. So long as the 2006 Series A Bonds are in book-entry only form, notice of redemption shall only be given to DTC. See "BOOK-ENTRY ONLY SYSTEM."

#### Corporation's Right to Purchase

The Corporation retains the right to purchase the 2006 Series A 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 2006 Series A Bonds.

#### Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2006 Series A 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 or certain other events have occurred under the Reimbursement 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 Reimbursement Agreement, the Credit Facility Provider may specify a date on which all or a portion of the 2006 Series A Bonds shall be subject to mandatory tender for purchase (the "2006 Series A Mandatory Tender Date"), which 2006 Series A Mandatory Tender Date shall not be earlier than fifteen (15) days following receipt by the Trustee of the direction to purchase such 2006 Series A Bonds. If less than all of the 2006 Series A Bonds are to be subject to mandatory tender for purchase, Fannie Mae shall select the maturity or maturities of the 2006 Series A Bonds to be tendered from among such 2006 Series A Bonds. If less than all the 2006 Series A Bonds of like maturity are to be subject to mandatory tender for purchase, the Trustee may select the 2006 Series A Bonds to be subject to mandatory tender for purchase by lot, using such method as it shall determine. Notwithstanding the foregoing, no 2006 Series A Bond shall be selected for mandatory tender for purchase if the portion of such 2006 Series A Bond remaining after such mandatory tender for purchase would not be a denomination authorized by the Resolution. Upon receipt of such written notice from the Credit Facility Provider, the Trustee shall promptly deliver to the owner of each 2006 Series A Bond to which such notice relates 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 REIMBURSEMENT AGREEMENT."

Any notice of mandatory tender of 2006 Series A Bonds relating to an Event of Termination specified by the Credit Facility Provider shall set forth, in substance, the 2006 Series A Mandatory Tender Date and reason therefor, that all owners of affected 2006 Series A Bonds shall be deemed to have tendered their 2006 Series A Bonds for purchase on the 2006 Series A Mandatory Tender Date and the Purchase Price for the affected 2006 Series A Bonds. Owners of affected 2006 Series A Bonds shall be required to tender their 2006 Series A 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 2006 Series A 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 2006 Series A Bonds shall be deemed to have been purchased at the Purchase Price on the respective 2006 Series A Mandatory Tender Date. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 2006 SERIES A BONDS TO DELIVER ITS 2006 SERIES A BONDS ON OR PRIOR TO THE 2006 SERIES A MANDATORY TENDER DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO SUCH 2006 SERIES A MANDATORY TENDER DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 2006 SERIES A BONDS, AND ANY UNDELIVERED 2006 SERIES A BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2006 Series A Bond is held in book-entry form, such 2006 Series A Bond need not be delivered in connection with any mandatory tender of 2006 Series A Bonds described under “DESCRIPTION OF THE 2006 SERIES A BONDS.” In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2006 Series A Bonds on the date designated for such payment, without further action by the Beneficial Owner, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See “BOOK-ENTRY ONLY SYSTEM”.

#### 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 2006 Series A 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 2006 Series A 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 2006 Series A Bonds. However, a default by the Mortgagor under the Regulatory Agreement would give rise to an event of default under the Reimbursement 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 2006 Series A Bonds. See “DESCRIPTION OF THE 2006 SERIES A BONDS – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2006 A Bonds Upon an Event of Termination” and “Mandatory Redemption Following an Event of Termination” herein.

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2006 Series A Bonds. The 2006 Series A 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 2006 Series A Bond certificate will be issued for each Series of the 2006 Series A Bonds, each in the aggregate principal amount of such Series, 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 and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as 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 both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission.

Purchases of 2006 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2006 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2006 Series A 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. Beneficial Owners are, however, 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 2006 Series A 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 2006 Series A Bonds, except in the event that use of the book-entry system for the 2006 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2006 Series A 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 2006 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2006 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2006 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2006 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2006 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2006 Series A Bond documents. For example, Beneficial Owners of 2006 Series A Bonds may wish to ascertain that the nominee holding the 2006 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of a Series of the 2006 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series of the 2006 Series A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2006 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. 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 2006 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2006 Series A 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The requirement for physical delivery of the 2006 Series A Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the 2006 Series A Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the 2006 Series A 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 2006 Series A 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, 2006 Series A 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 and the Underwriter believe to be reliable, but neither the Corporation nor the Underwriter take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or Indirect Participants.

So long as Cede & Co. is the registered owner of 2006 Series A Bonds of a Series, as nominee for DTC, references herein to Bondholders or registered owners of the 2006 Series A Bonds of such Series (other than under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of 2006 Series A 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 2006 Series A Bond is held in book-entry form, such 2006 Series A Bond need not be delivered in connection with any mandatory tender of 2006 Series A Bonds described under “DESCRIPTION OF THE 2006 SERIES A BONDS.” In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2006 Series A Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and, notwithstanding the description of mandatory tender of 2006 Series A Bonds contained under “DESCRIPTION OF THE 2006 SERIES A BONDS,” transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

NEITHER THE CORPORATION, THE UNDERWRITER 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 2006 SERIES A 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 2006 SERIES A 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 2006 SERIES A BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2006 SERIES A BONDS; OR (vi) ANY OTHER MATTER.

**ESTIMATED APPLICATION OF FUNDS**

The proceeds of the 2006 Series A Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount equal to the principal amount of 2006 Series A Bonds and are expected to be applied as follows:

Cost of acquisition and rehabilitation .....	\$30,242,994
Capitalized Interest and Other Expenses.....	\$1,628,565
Certain Costs of Issuance.....	\$128,441
Total.....	\$32,000,000



The remainder of the costs of the acquisition and rehabilitation of the Project and certain other costs related thereto, Underwriter's compensation and other costs of issuance, in an aggregate amount of approximately \$27,189,249 (including Underwriter's compensation of \$205,783.89), will be paid by the Mortgagor with proceeds of the Non-Bond Loans and with other available funds. The Mortgagor expects to draw all of the proceeds of the 2006 Series A Bonds allocable to costs of acquisition and rehabilitation and Costs of Issuance upon the issuance of the 2006 Series A Bonds.

## **SECURITY FOR THE BONDS**

### Pledge of the Resolution

The Resolution constitutes a contract among the Corporation, the Trustee and the owners of the 2006 Series A 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) the benefit of the Credit Facility Provider, as provided in the Resolution.

The 2006 Series A 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 2006 Series A Bonds, as and to the extent provided in the Credit Facility, are payable from amounts obtained under the Credit Enhancement Instrument. Payment of the principal or Redemption Price of and interest on all 2006 Series A Bonds is secured by a pledge of the Revenues, which consists of all payments received by the Corporation from or on account of the Mortgage Loan, including scheduled, delinquent and advance payments of principal and interest, proceeds from the sale, assignment, or other disposition of the Mortgage Loan in the event of a default thereon, proceeds of any insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under the Resolution, including earnings and gains received by the Trustee pursuant to any investment agreement. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charges or settlement fees of the Servicer of the Mortgage Loan or the Credit Facility Provider on account of the Mortgage Loan. Payment of the 2006 Series A Bonds is also secured by a pledge by the Corporation of all amounts held in any Accounts (other than amounts deposited in or to be deposited in the Rebate Fund) established pursuant to the Resolution (including the investments of such Accounts, if any). The Credit 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 therein.

Pursuant to the Resolution and the Assignment, the Corporation will assign and deliver to Fannie Mae 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 the Mortgage Documents. Fannie Mae has the right under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Fannie Mae in certain events.

### Credit Enhancement Instrument

The Credit Enhancement Instrument constitutes a "Credit Facility" under the Resolution, and Fannie Mae constitutes a "Credit Facility Provider" under the Resolution.

The following description of the Credit Enhancement Instrument does not purport to be complete or to cover all sections of the Credit Enhancement Instrument. Reference is made to the Credit Enhancement Instrument, on file with the Trustee, for the complete terms thereof and the rights, duties and obligations of Fannie Mae and the Trustee thereunder.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 2006 SERIES A BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE 2006 SERIES A BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE 2006 SERIES A BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of (i) the principal (without premium) of the 2006 Series A Bonds when due by reason of acceleration, redemption, defeasance or stated maturity, (ii) the maximum amount of interest to accrue on the 2006 Series A Bonds (computed at the interest rates stated on the inside front cover hereof), during any semi-annual interest payment period when due on or prior to their stated maturity date and (iii) the Fee Component if such fee is not paid to the Corporation in a timely manner.

To the extent of advances made under the Credit Enhancement Instrument with respect to the payment of the principal amount of the 2006 Series A Bonds, the obligations of Fannie Mae under the Credit Enhancement Instrument to pay principal, interest thereon and the Fee Component will be correspondingly reduced, but with respect to advances made under the Credit Enhancement Instrument with respect to the Fee Component and the payment of interest on 2006 Series A Bonds not made in connection with the payment of principal, the Fee Component and the interest component of the Credit Enhancement Instrument will be automatically reinstated.

Fannie Mae will also advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the 2006 Series A Bonds and the maximum amount of interest to accrue on the 2006 Series A Bonds (computed at the interest rates stated on the inside front cover hereof) during any semi-annual interest payment period when due on or prior to their stated maturity date, in order to pay the Purchase Price of 2006 Series A Bonds tendered pursuant to a mandatory tender of 2006 Series A Bonds resulting from an Event of Termination.

To receive payment under the Credit Enhancement Instrument, the Trustee must make a presentation of certain payment documents under the Credit Enhancement Instrument on or prior to the expiration date of the Credit Enhancement Instrument at the appropriate office of Fannie Mae. The Credit Enhancement Instrument will expire at 4:00 p.m. Eastern time on July 20, 2039 (the "Credit Enhancement Instrument Expiration Date", which is five days after the final maturity of the 2006 Series A Bonds). The Credit Enhancement Instrument will automatically terminate on the first to occur of: (a) the Credit Enhancement Instrument Expiration Date; (b) the honoring by Fannie Mae of the final draw available to be made under the Credit Enhancement Instrument such that the principal portion of the amount available will be reduced to zero and will not be subject to reinstatement; or (c) receipt of a written notice signed by the Trustee's duly authorized officer stating that none of the related Bonds are Outstanding under the Resolution.

#### Additional Bonds

Additional Bonds, on parity with the 2006 Series A 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 any Credit Facility shall be in effect for the 2006 Series A Bonds, no Additional Bonds shall be issued unless such Additional Bonds are secured by the same Credit Facility, provided by the same Credit Facility Provider, in effect for the 2006 Series A 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 – Additional Bonds" herein.

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

The 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 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 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 (i) 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 and (ii) the benefit of the Credit Facility Provider, as provided in the Resolution. The Corporation pledges the Revenues and all amounts held in any Account, including investments thereof, established under the Resolution, to the Trustee for the benefit of the Bond owners and the Credit Facility Provider to secure (i) the payment of the principal or Redemption Price of and interest on the Bonds (including the Sinking Fund Payments for the retirement thereof) and (ii) all obligations owed to the Credit Facility Provider under the Credit Agreement, the Assignment and the Assigned Documents (as defined in the Assignment), 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 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 said Assigned Documents, except as otherwise provided in the Assignment, including but not limited to all rights to receive payments on the Mortgage Note and under the Mortgage Documents, including all proceeds of insurance or condemnation awards. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged under the Resolution. In addition, the Bonds shall, as and to the extent provided in the Credit Facility, be payable from Credit Facility Payments; provided, however, that the Credit Facility and the proceeds thereof shall not secure or provide liquidity for Bonds during any period they are Purchased Bonds.

### Provisions for Issuance of Bonds

In order to provide sufficient funds to finance the Mortgage Loan, 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;

(d) with respect to the 2006 Series A Bonds or if required with respect to any Additional Bonds, the Credit Facility;

(e) with respect to the 2006 Series A Bonds, executed copies of the Assignment, the Loan Agreement, the Regulatory Agreement, the Mortgage, the Mortgage Note and the Credit Agreement, and with respect to Additional Bonds, such documents as are specified in the Supplemental Resolution authorizing the same; and

(f) such further documents and moneys as are required by the provisions of the Resolution or any Supplemental Resolution.

#### Additional 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 2006 Series A Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2006 Series A Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds.

#### Application and Disbursements of Bond Proceeds

The proceeds of sale of the 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 2006 Series A 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 2006 Series A 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 evidencing or 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, together with a letter of such counsel addressed to the Credit Facility Provider, stating that the Credit Facility Provider may rely on such opinion, and (3) the Mortgage is the subject of a policy of title insurance in an amount not less than the amount of the unpaid principal balance of the Mortgage Loan, insuring a mortgage lien subject only to Permitted Encumbrances on the real property securing the Mortgage Loan.

### 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, (i) so long as the Credit Facility is in effect, shall be held uninvested, and (ii) at all other times, 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 (including the Capitalized Moneys Sub-Account therein);
- (2) Revenue Account (including the Credit Facility Payments Sub-Account therein); and
- (3) Redemption Account.

### Bond Proceeds Account

There shall be deposited from time to time in the Bond Proceeds Account any 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. The Corporation may, from time to time, direct the Trustee to transfer moneys in the Bond Proceeds Account to the Capitalized Moneys Sub-Account to be applied in accordance with the provisions of the Resolution.

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 make certain payments prior to the Mortgage Loan Conversion in accordance with the provisions of the Resolution.

#### Revenue Account

Subject to the provisions of the Assignment, the Corporation shall cause all Pledged Receipts to be deposited promptly with the Trustee in the Revenue Account. During the term of the Credit Facility, the Trustee shall obtain moneys under the Credit Facility 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 covered by the Credit Facility, 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. In addition, during the term of the Credit Facility, the Trustee, at the direction of the Corporation, shall obtain moneys under the Credit Facility in accordance with the terms thereof, in amounts specified by the Corporation to pay such portion of the Administrative Fee due and owing to the Corporation as is secured by the Credit Facility, and shall promptly transfer all such amounts to the Corporation. Moneys held in the Credit Facility Payments Sub-Account shall not be commingled with moneys held in any other Account or Sub-Account. There shall also be deposited in the Revenue Account any other amounts required to be deposited therein pursuant to the Resolution, any Supplemental Resolution, the Mortgage Documents and the Loan Agreement.

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), the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased (unless the payment of such accrued interest shall be otherwise provided for) as follows:

(1) first, from the 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 moneys therein are insufficient for said purpose;

(4) fourth, from the Bond Proceeds Account and to the extent that moneys therein are insufficient for said purpose; and

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

After payment of the Principal Installments, if any, and interest due on the Outstanding Bonds has been made, and to the extent payments on the Bonds are made from the source described in subparagraph (1) above, the 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.

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 obtained 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 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, with the consent of the Credit Facility Provider, 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, to the Trustee, an amount equal to that portion of the Trustee's unpaid annual fees then due and owing, (ii) second, to the Tender Agent, an amount equal to that portion of the Tender Agent's unpaid annual fees then due and owing, (iii) third, to the Corporation, an amount equal to that portion of the Administrative Fee then due and owing, (iv) fourth, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses (other than as set forth in (i) above), (v) fifth, if so directed by the Corporation, to the Tender Agent, an amount equal to the Tender Agent's unpaid fees and expenses (other than as set forth in (ii) above), (vi) sixth, if so directed by the Corporation or the Credit Facility Provider, to the Servicer an amount equal to the Servicer's unpaid fees and expenses, (vii) seventh, if so directed by the Corporation or the Credit Facility Provider, to the Credit Facility Provider, an amount equal to any fees and expenses due and owing to the Credit Facility Provider pursuant to the Credit Agreement, and (viii) eighth, to the Corporation, fees and other expenses to the extent unpaid. The amount remaining after making the transfers or payments required hereinabove shall be retained in the Revenue Account. Such remaining balance shall be paid to, or upon the order of, the Mortgagor, free and clear of the lien and pledge of this Resolution, but not to the Mortgagor if Trustee receives either (i) a Certificate from the Corporation stating that an event of default exists under the Regulatory Agreement, the Commitment or, with respect to the Reserved Rights (as defined in the Loan Agreement) only, the Loan Agreement and directing that the remaining balance otherwise payable to the Mortgagor shall be retained in the Revenue Account, or (ii) a Certificate from the Credit Facility Provider stating that an event of default exists under the Credit Agreement and directing that the remaining balance otherwise payable to the Mortgagor shall be retained in the Revenue Account, in which event such remaining balance shall be so retained. If the Trustee receives a Certificate from the Corporation (with respect to clause (i) of the immediately preceding sentence) or the Mortgagor, acknowledged by the Credit Facility Provider (with respect to clause (ii) of the immediately preceding sentence), stating either that the applicable default has been cured or waived, or that the Corporation or the Credit Facility Provider, as the case may be, consents to the use of the remaining balance by payment to the Mortgagor, such remaining balance shall once again be paid to or upon the direction of the Mortgagor, as described above.

#### 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, to the extent that funds held therein are available for such purpose under the terms of the Credit Facility, 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.

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) above, 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 and so applied.

#### 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 amounts required to be deposited in the Rebate Fund are to be deposited in the Rebate Fund.

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

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

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



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

The Trustee, upon the receipt of written instructions and certification of the Rebate Amount from an Authorized Officer of the Corporation, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series for which a Rebate Amount is required, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the Resolution, not later than sixty (60) days after the date on which all Bonds for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

#### Payment of Bonds

The Corporation covenants that it will duly and punctually pay or cause to be paid, as provided in the Resolution, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places 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 2006 Series A 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 arrears on the Mortgage Loan) and Recoveries of Principal, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on the Mortgage Loan or any subsidy payments in connection with the Project or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loan, 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 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 (other than the Non-Bond Mortgage) unless the Corporation shall have received the written consent of the Credit Facility Provider.

#### 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, the Credit Facility Provider, the Servicer (as to the Mortgage Loan) 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, the Credit Facility Provider and the Servicer, 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, the Credit Facility Provider and the Servicer 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.

#### 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 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. 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 the Resolution. Notwithstanding the foregoing, the substitution described in the definition of the term “Credit Facility” is not prohibited by the foregoing.

#### Supplemental Resolutions

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 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 or the Credit Facility Provider 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 whatsoever (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 for such changes as are deemed necessary or desirable by the Corporation in connection with either providing a book-entry system with respect to a Series of Bonds or 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 Mandatory Tender Date on which 100% of the Bonds are subject to mandatory tender; cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Resolution (provided that the Trustee shall consent thereto); or comply with the Code; 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.

Notwithstanding anything to the contrary contained in the Resolution, for so long as the Credit Agreement shall be in full force and effect, no supplement, modification or amendment of the Resolution shall take effect without the prior written consent of the Credit Facility Provider.

#### Amendments, Changes and Modifications to the Credit Facility.

Subject to the provisions of the Resolution, 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. Prior to consenting to any amendment to the Credit Facility, the Trustee shall be entitled to request and receive an opinion of counsel to the effect that all conditions precedent to such amendment have been satisfied. 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 (4) below constitutes an “Event of Default” and the following event set forth in clause (5) 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 2006 Series A Bond (other than Purchased Bonds) tendered in accordance with the Resolution shall not be made when and as the same shall become due; (3) an Act of Bankruptcy of the Corporation; (4) 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 thirty days after written notice thereof by the Trustee or the owners of not less than 5% in principal amount of the Outstanding Bonds, provided that the Credit Facility Provider shall have consented in writing to the same constituting an Event of Default; or (5) receipt by the Trustee of written notice from the Credit Facility Provider that an “Event of Default” has occurred and is continuing 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 (5) 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 the Trustee shall enforce the remedies set forth in clause (5) and clause (8) below 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, with the prior written consent of the Credit Facility Provider shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) or (4) of the preceding paragraph, the Trustee, with the prior written consent of the Credit Facility Provider, may proceed and, upon the written direction of the Credit Facility Provider or at the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds (together with the written consent of the Credit Facility Provider), shall proceed, in its own name, subject, in each such case, to the provisions of the Resolution, 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 prior written consent of the Credit Facility Provider in the case of an Event of Default or upon the written direction described in clause (5) of the preceding paragraph in the case of an Event of Termination and upon immediate notice to the Corporation, Mortgagor, Credit Facility Provider and the Servicer, by immediately declaring all Bonds or, with respect to an Event of Termination, a portion of the 2006 Series A Bonds in the principal amount specified by the Credit Facility Provider, due and payable whereupon, with respect to any affected 2006 Series A Bonds, such Bonds shall be immediately redeemed, 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, with the prior written consent of the Credit Facility

Provider 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, in accordance with its terms, as the Trustee deems necessary to protect the interests of the owners of the 2006 Series A Bonds; or (8) upon the happening and continuance of an Event of Termination, if so designated by the Credit Facility Provider, by carrying out a purchase of all or a portion of, the 2006 Series A 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) and (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 right of such Bond owners to direct proceedings shall be subject to the rights of the Credit Facility Provider, it being understood that the Credit Facility Provider shall in all cases be entitled to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution so long as the Credit Agreement is in full force and effect and no Wrongful Dishonor shall have occurred and be continuing.

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 a Wrongful Dishonor shall have occurred and be continuing and such owner shall have given to the Trustee and the Credit Facility Provider 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 days after actual knowledge by the Trustee of the occurrence thereof; provided that in the case of the 2006 Series A Bonds, such notice need not be given with respect to any 2006 Series A Bonds for which the Trustee has proceeded to carry out a mandatory purchase of such 2006 Series A Bonds as described in clause (8) under the heading "Events of Default and Termination" above or has proceeded to carry out a redemption of such 2006 Series A Bonds as described in clause (5) under the heading "Events of Default and Termination" above. 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; 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; third, to the payment of amounts owed to the Credit Facility Provider under the Credit Agreement or under any other agreement or document securing obligations owed by the Mortgagor to the Credit Facility Provider or otherwise relating to the provision of the Credit Facility, including amounts to reimburse the Credit Facility Provider to the extent it has made payments under the Credit Facility; and fourth, to the payment of amounts owed to the Construction Lender (as defined in the Resolution) under the Construction Phase Credit Documents (as defined in the Resolution) or under any other agreement or document securing obligations owed by the Mortgagor to the Construction Lender or otherwise relating to the provision of the Construction Phase Credit Facility (as defined in the Resolution), including amounts to reimburse the Construction Lender to the extent it has made payments under the Construction Phase Credit Facility.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, first, 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, and second, to pay the Credit Facility Provider amounts owed to it under the Credit Agreement, including reimbursement to the extent it has made payments under the Credit Facility and third, to pay the Construction Lender amounts owed to it under the Construction Phase Credit Documents, including reimbursement to the extent it has made payments under the Construction Phase Credit Facility.

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, 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 Agreement 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.

#### 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, and in the case of such payment no interest shall

accrue for the period commencing on such date originally fixed for such payment and ending on such next succeeding Business Day.

### Defeasance

If the Corporation shall pay or cause to be paid to the owners of all Bonds then Outstanding the principal and interest and Redemption Price, if any, to become due thereon, from Available Moneys, at the times and in the manner stipulated therein and in the Resolution, and if the Corporation shall pay or cause to be paid the fees and expenses of the Trustee and any amounts due and owing to the Credit Facility Provider under the Credit Agreement and any other agreements between the Credit Facility Provider and the Mortgagor relating to the Credit Facility as set forth in a Certificate of the Credit Facility Provider, then the pledge of any Revenues and other moneys, securities, funds and property hereby pledged and all other rights granted shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which Available Moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. All Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if: (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give as provided in the Resolution notice of redemption on said date of such Bonds, (2) there shall have been set aside and shall be held in trust by the Trustee (through deposit by the Corporation of funds for such payment or redemption or otherwise) (I) so long as the Credit Facility is in effect, either (a) Available Moneys in an amount which shall be sufficient, or (b) Investment Securities of the type identified in paragraph (A)(1) of the definition of Investment Securities which are not subject to early redemption and which are purchased with Available Moneys, the principal of and the interest on which when due will provide moneys which, together with the Available Moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Bonds that the deposit required by this paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and the above paragraph and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds; provided, however, that the Trustee shall have received at the expense of the Mortgagor (1) an opinion from bankruptcy counsel as and if required under the definition of "Available Moneys"; and (2) an opinion of Bond Counsel to the Corporation to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely effect the exclusion of the interest on any Bonds to which the tax covenants of the Resolution apply from gross income for Federal income tax purposes and conforms with the requirements of the Resolution or (II) so long as the Credit Facility is not in effect, either (a) Available Moneys in an amount which shall be sufficient, or (b) Government Obligations purchased with Available Moneys or (c) obligations purchased with Available Moneys (i) validly issued by or on behalf of a state or political subdivision thereof, (ii) the interest on which is excluded from gross income for Federal income tax purposes pursuant to Section 103(a)(1) of the Code and (iii) fully secured by a first lien on Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the Available Moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to give by mail, as soon as practicable, notice to the owners of such Bonds that the deposit required by this paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this paragraph and the above paragraph and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds; provided, however, that the Trustee shall have received at the expense of the Mortgagor (1) an opinion from bankruptcy counsel as and if required under the definition of "Available Moneys"; and (2) an opinion of Bond Counsel to the Corporation to the effect that such deposit with the Trustee and consequent defeasance of the Bonds does not adversely affect the exclusion of the interest on any Bonds to which the tax covenants of the Resolution

apply from gross income for Federal income tax purposes and conforms with the requirements of the Resolution. Upon receipt of written instructions from the Corporation, the Trustee shall obtain funds under the Credit Facility, in accordance with its terms, to make the deposit described in clause (2) of this paragraph (B). To the extent required for the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds, neither Available Moneys deposited with the Trustee pursuant to this paragraph and the above paragraph nor principal or interest payments on any obligations described in clause (I)(b) above or obligations described in clause (II)(b) or (c) above deposited with the Trustee pursuant to this paragraph and the above paragraph shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such obligations described in clause (I)(b) above or clause (II)(b) or (c) above, as the case may be, deposited with the Trustee pursuant to this paragraph and the above paragraph, if not then needed for such purpose, shall, to the extent practicable, at the direction of the Corporation, be reinvested in obligations described in clause (I)(b) above or clause (II)(b) or (c) above, respectively, maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, of and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and any Available Moneys deposited with the Trustee pursuant to this paragraph and the above paragraph and principal and interest payments on the obligations described in clause (I)(b) above, or clause (II)(b) or (c) above, as the case may be, if not required for the payment of said Bonds, and after payment of the fees and expenses of the Trustee, the Credit Facility Provider and the Corporation shall, subject to the provisions of the Resolution, be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge. The Trustee may sell, transfer or otherwise dispose of the obligations described in clause (I)(b) above or clauses (II)(b) and (c) above, as the case may be, deposited with the Trustee pursuant to this paragraph and the above paragraph; provided that the amounts received upon any such sale, transfer or other disposition, or a portion of such amounts, shall be applied to the purchase of other obligations described in clause (I)(b) above, or clauses (II)(b) and (c), respectively, the principal of and the interest on which when due will provide Available Moneys which, together with the moneys on deposit with the Trustee, shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, in accordance with this paragraph and the above paragraph.

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

#### **SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT**

*The following statements are a brief summary of certain provisions of the Reimbursement Agreement. The summary does not purport to be complete, and reference is made to the Reimbursement Agreement for a full and complete statement of the provisions thereof. In addition, Fannie Mae shall have the right without the consent of, or notice to, the Trustee, the Corporation or the Bondholders, to amend, modify, change, add to or delete any of the provisions of the Reimbursement Agreement. Capitalized terms used in this section and not otherwise defined will have the meanings given them in the Reimbursement Agreement.*

The Credit Facility is issued pursuant to the Reimbursement Agreement. The Reimbursement Agreement obligates the Mortgagor, among other things, to reimburse Fannie Mae for funds advanced by Fannie Mae under the Credit Facility and to pay various fees and expenses. The Reimbursement Agreement sets forth various affirmative and negative covenants of the Mortgagor, some of which are more restrictive with respect to the Mortgagor than similar covenants contained in the Financing Agreement. The Reimbursement Agreement also includes various Events of Default, including, but not limited to, payment defaults (including both failure to make payments on the Mortgage Note and failure to pay other amounts due under the Reimbursement Agreement), breaches of representations, covenant defaults (in some but not all cases, following notice and a period to cure) and cross-defaults to other documents, including but not limited to defaults relating to bankruptcy of the Mortgagor and including in some cases cross-defaults to other indebtedness.



Upon the occurrence of an Event of Default under the Reimbursement Agreement, Fannie Mae may, among other things, accelerate or cause a redemption of all or a portion of the 2006 Series A Bonds, demand cash collateral or Investment Securities in an amount equal to the maximum liability of Fannie Mae under the Credit Enhancement Instrument, whether or not then due and payable by Fannie Mae, instruct the Trustee pursuant to the Assignment to assign the Mortgage and Mortgage Note to Fannie Mae (see “THE MORTGAGE LOAN AND OTHER FINANCING”), subject all or a portion of the 2006 Series A Bonds to mandatory purchase (see “DESCRIPTION OF THE 2006 SERIES A Bonds – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2006 Series A Bonds Upon an Event of Termination”) and/or exercise any other rights or remedies available under any Transaction Document or take any other action, whether at law or in equity, without notice or demand, as it deems advisable to protect and enforce its rights (See “THE MORTGAGE LOAN AND OTHER FINANCING” and “DESCRIPTION OF THE 2006 SERIES A Bonds – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2006 Series A Bonds Upon an Event of Termination”).

Fannie Mae shall have the right, in its sole discretion, to amend, modify, change, add to or delete any provisions of the Reimbursement Agreement, including, but not limited to, adding cross-defaults to any other documents and agreements, without receiving the consent of, or providing notice to, the Trustee, the Corporation or the Bondholders. Fannie Mae shall also have the right, in its sole discretion, to waive any Event of Default under the Reimbursement Agreement, the Mortgage or any other transaction document. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence which gave rise to the Event of Default so waived and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

#### **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 2006 Series A 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 2006 Series A Bonds, or in any way impair the rights and remedies of such owners until the 2006 Series A 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 2006 Series A Bonds, are fully met and discharged.

#### **CONTINUING DISCLOSURE**

The Mortgagor has undertaken all responsibilities for any continuing disclosure to owners of the 2006 Series A Bonds as described below, and the Corporation shall have no liability to the owners or any other person with respect to such disclosures. The Mortgagor has covenanted for the benefit of owners and Beneficial Owners of the 2006 Series A Bonds to provide its audited financial statements and certain financial information and operating data relating to the Mortgagor by not later than one hundred eighty (180) days after the end of each fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending December 31, 2006 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report is required to be filed by the Mortgagor with each Nationally Recognized Municipal Securities Information Repository and with any then-existing state Repository (collectively, the “Repositories”). All notices of material events are required to be filed by the Mortgagor with the Repositories. The specific nature of the information to be contained in the Annual Report and the notices of material events is described in Appendix E -- “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Mortgagor has not previously been subject to the continuing disclosure requirements of Rule 15c2-12.

## **TAX MATTERS**

### Opinion of Bond Counsel to the Corporation

In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continued compliance with certain tax covenants described herein, (i) interest on the 2006 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on any 2006 Series A Bond for any period during which such 2006 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2006 Series A Bonds or a “related person,” and (ii) interest on the 2006 Series A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering such opinion, Bond Counsel to the Corporation has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor and others, in connection with the 2006 Series A Bonds, and Bond Counsel to the Corporation has assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2006 Series A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2006 Series A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel to the Corporation expresses no opinion regarding any other Federal or state tax consequences with respect to the 2006 Series A Bonds. Bond Counsel to the Corporation renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Corporation expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2006 Series A Bonds, or exemption from personal income taxes on the 2006 Series A Bonds under state and local tax law.

### Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2006 Series A Bonds for purposes of Federal income taxation requires that (i) at least 25% of the units in the Project financed by the 2006 Series A Bonds be occupied during the “Qualified Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% of the median income for the area, and (ii) all of the units of the Project be rented or available for rental on a continuous basis during the Qualified Project Period. “Qualified Project Period” for the Project means a period commencing upon the later of (a) occupancy of 10% of the units in the Project or (b) the date of issue of the 2006 Series A Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the Project, (ii) the first date on which no tax-exempt private activity bonds issued with respect to the Project are outstanding, or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the 1937 Housing Act terminates. The Project will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size must be rented to an individual having an income of 60% or less of the area median income, as adjusted for family size. In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2006 Series A Bonds, the Treasury Regulations provide that the exclusion of interest on the 2006 Series A Bonds from gross income for Federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2006 Series A Bonds in order that interest on the 2006 Series A Bonds be and remain excluded from

gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the proceeds of the 2006 Series A Bonds, yield and other limits regarding investment of the proceeds of the 2006 Series A 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 2006 Series A 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 2006 Series A 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 2006 Series A Bonds is payable.

#### Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2006 Series A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2006 Series A 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 2006 Series A Bonds.

Prospective owners of 2006 Series A 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 and life insurance companies, individual recipients of Social Security or railroad retirement benefits, 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 excluded from gross income for Federal income tax purposes. Interest on the 2006 Series A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

#### Legislation

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 2006 Series A Bonds will not have an adverse effect on the tax-exempt status of the 2006 Series A Bonds or the market price of the 2006 Series A Bonds.

### **NO LITIGATION**

#### *The Corporation*

At the time of delivery and payment for the 2006 Series A Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation substantially to the effect that there is no litigation or other proceeding now pending or threatened against 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 2006 Series A Bonds, or in any way contesting or affecting the validity of the 2006 Series A Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the financing of the Mortgage Loan or the Non-Bond Loans or the pledge or application of any moneys or security provided for the payment of the 2006 Series A 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 2006 Series A Bonds from gross income for Federal income tax purposes.

## *The Mortgagor*

At the time of delivery and payment for the 2006 Series A Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of the Mortgagor substantially to the effect that there is no litigation of any nature now pending or, to the knowledge of the Mortgagor, its member, managers, shareholders or officers, as applicable, threatened against or adversely affecting the existence of the Mortgagor or its member, involving the Project in any material respect or seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2006 Series A Bonds or the financing of the Mortgage Loan or the Non-Bond Loans, or the financing of the Project, or in any way contesting or affecting the validity or enforceability of the 2006 Series A Bonds or the 2006 Series A Bond documents to which the Mortgagor is a party, or any proceedings of the Mortgagor taken with respect to the sale, execution or delivery thereof, or the application of any moneys or security provided for the payment of the 2006 Series A Bonds, or contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers or authority of the Mortgagor with respect to the 2006 Series A Bond documents to which it is a party or, to the knowledge of the Mortgagor or its member, without independent inquiry, challenging the exclusion of interest on the 2006 Series A Bonds from gross income for Federal income tax purposes.

### **CERTAIN LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the 2006 Series A Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, O'Melveny & Myers LLP, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Nixon Peabody LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

### **LEGALITY OF 2006 SERIES A BONDS FOR INVESTMENT AND DEPOSIT**

Under the provisions of Section 662 of the Act, the 2006 Series A 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 2006 Series A Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

### **UNDERWRITING**

J.P. Morgan Securities Inc. has agreed, subject to certain conditions, to purchase the 2006 Series A Bonds from the Corporation at an aggregate purchase price of \$32,000,000 and to make a public offering of the 2006 Series A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all such 2006 Series A Bonds if any are purchased. The 2006 Series A Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter will receive an underwriting fee for its services in the amount of \$205,783.89.



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**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, Credit Enhancement Instrument, Reimbursement Agreement, Assignment and Mortgage Note, copies of which may be obtained from the Corporation. The following terms shall have the following meanings in the Resolution, Credit Enhancement Instrument, Reimbursement Agreement, Assignment and Mortgage Note for the 2006 Series A Bonds unless the context shall clearly indicate otherwise.

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

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

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Mortgagor, any member 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 2006 Series A Bonds, authorized pursuant to the Resolution.

“Administrative Fee” means the administrative 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.

“Assignment” means the Assignment and 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, Michael J. Sessa Apartments, Inc., Capmark Finance Inc. and the Construction Lender, as the same may be amended or supplemented from time to time.

“Authorized Officer” means (a) when used with respect to the Corporation, the Chairperson, Vice Chairperson, President, Executive Vice President or any Senior Vice President of the Corporation and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Corporation then authorized to perform such act or discharge such duty; (b) when used with respect to the Mortgagor, any officer or 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 Trustee, any Vice President or Assistant Vice President of the Trustee then authorized to act for 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; and (d) when used with respect to any Credit Facility Provider, any officer or employee of the Credit Facility Provider designated, by name or official title, in writing to the Corporation and the Trustee.

“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 365 days during and prior to which no Act of Bankruptcy with respect to the Mortgagor, any manager or managing member 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 manager or managing member 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, then the number of days specified in such opinion shall be substituted for the 365 days in this definition, or (iii) the proceeds from investment of moneys qualifying as Available Moneys under clause (i) or (ii) above, or (iv) the proceeds of Additional Bonds; provided, however, that with respect to the proceeds of Additional Bonds, the Trustee shall have received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee to the effect that payments made to Bond owners with such proceeds would not constitute an avoidable preference under Section 547 of the Bankruptcy Reform Act of 1978, as amended. Notwithstanding the foregoing, (a) when used with respect to amounts due in respect of Purchased Bonds, the term “Available Moneys” shall mean any amounts held by the Trustee and the proceeds of the investment thereof, except for moneys provided under a Credit Facility and (b) during any period in which no Credit Facility is in effect, “Available Moneys” shall mean any moneys.

“Beneficial Owner” means, whenever used with respect to a 2006 Series A Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant or such person’s subrogee.

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

“Bond Counsel to the Corporation” 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 satisfactory to the Trustee.

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

“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 anniversary of the date of issuance of a Series of Bonds in any year.

“Borrower Document” shall have the meaning set forth in the Reimbursement Agreement.

“Business Day” means a day other than (a) a Saturday or a Sunday, (b) any day on which banking institutions located in the City of New York, New York, or the city in which the Principal Office of the Trustee is located are required or authorized by law to close, (c) a day on which the New York Stock Exchange is closed, (d) a day on which the Credit Facility Provider is closed or (e) a day on which DTC is closed.

“Capitalized Moneys Sub-Account” means the Capitalized Moneys Sub-Account established pursuant to the Resolution.

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

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

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

“Commitment” means the Financing Commitment and Agreement dated as of October 4, 2006, among the Corporation, the Mortgagor and, as guarantors of certain obligations as set forth in such Commitment, Project IV Realty, LLC, Anthony Alizio, Peter J. Alizio and Paul Alizio, as the same may be amended or supplemented from time to time.



“Construction Lender” means The Bank of New York, a New York banking corporation, and its successors.

“Construction Phase Credit Documents” shall have the meaning set forth in the Credit Agreement.

“Construction Phase Credit Facility” shall have the meaning given the term “Letter of Credit” in the Construction Phase Financing Agreement.

“Construction Phase Financing Agreement” means the agreement dated as of December 1, 2006 by and among the Credit Facility Provider, the Construction Lender, and the Servicer and acknowledged and agreed to by the Mortgagor.

“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 ratings, 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 Credit Facility, the Reimbursement Agreement, dated as of December 1, 2006, between the Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time.

“Credit Enhancement Instrument” means the Direct Pay Irrevocable Transferable Credit Enhancement Instrument, dated the date of initial issuance of the 2006 Series A Bonds, issued by Fannie Mae for the benefit of the 2006 Series A Bonds.

“Credit Facility” means the Credit Enhancement Instrument representing the obligation of the Credit Facility Provider providing for the timely payment of the principal of and interest on and Purchase Price, if applicable, of the Bonds as the same may be amended, modified or supplemented from time to time.

“Credit Facility Payments” means amounts obtained under the 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 Credit Facility is in effect, Fannie Mae.

“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 as an Event of Default.

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

“Fannie Mae” means a corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq., as amended from time to time, and its successors and assigns.

“Fee Component” means that portion of the Administrative Fee representing the regularly scheduled monthly servicing fee of .20% per annum of the outstanding principal balance of the Mortgage Note, payable to the Corporation pursuant to the terms of the Loan Agreement.

“FHA” means the Federal Housing Administration of HUD, and its successors and assigns.

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

“Highest Rating Category” has the meaning, with respect to an Investment Security, given in this definition. If the 2006 Series A Bonds are rated by a Rating Agency, the term “Highest Rating Category” means, with respect to an Investment Security, that the Investment Security is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the 2006 Series A Bonds are not rated (and, consequently, there is no Rating Agency), then the term “Highest Rating Category” means, with respect to an Investment Security, that the Investment Security is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A-1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG-1” (for fixed rate) or “VMIG-1” (for variable rate) for three months or less and “Aaa” for greater than three months. If at any time (i) the 2006 Series A Bonds are not rated, (ii) both S&P and Moody’s rate an Investment Security and (iii) one of those ratings is below the Highest Rating Category, then such Investment Security will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment Security rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment Security will be deemed to be rated below the Highest Rating Category. For example, an Investment Security rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“HUD” means the United States Department of Housing and Urban Development, its successors and assigns.

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

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

- (A) So long as the Credit Facility is in effect,
  - (a) Government Obligations;
  - (b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category;
  - (c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision;

(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category;

(e) Commercial paper rated in the Highest Rating Category;

(f) Interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if either (A) the Qualified Financial Institution's unsecured short-term obligations are rated in the Highest Rating Category or (B) such deposits, accounts or acceptances are fully insured by the Federal Deposit Insurance Corporation;

(g) An agreement held by the Trustee for the investment of moneys at a guaranteed rate with (i) the Credit Facility Provider or (ii) a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long-term obligations are rated in the Highest Rating Category; provided that such agreement is in a form acceptable to the Credit Facility Provider; and provided further that such agreement includes the following restrictions:

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Trustee is required to pay moneys from the Accounts established under the Resolution to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks pari passu with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Trustee receives an opinion of counsel, who may be counsel to the provider of such agreement, which opinion may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an opinion of counsel, who may be counsel to a guarantor or insurer, as applicable, that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency, or falls below the Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Investment Securities described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount reasonably satisfactory to the Credit Facility Provider, or, if the agreement is already collateralized, increase the collateral with Investment Securities described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, in an amount reasonably satisfactory to the Credit Facility Provider, (B) at the request of the Trustee or the Credit Facility Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAM-G or AAAM by S&P or Aaa by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Facility Provider, a money market mutual fund

portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAM-G or AAAM by S&P, if S&P is a Rating Agency, or Aaa by Moody's, if Moody's is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAM-G or AAAM by S&P or Aaa by Moody's. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency; and

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Credit Facility Provider and each Rating Agency.

Investment Securities shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to any obligation that provides for the optional or mandatory tender, at par, by the holder of such obligation at least once within one year of the date of purchase, Government Obligations irrevocably deposited with the Trustee for payment of Bonds pursuant to the Resolution, and Investment Securities listed in paragraphs (g) and (i);

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation;

(3) Any asset-backed security, including mortgage-backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset-backed securities and auto loan asset-backed securities;

(4) Any interest-only or principal-only stripped security;

(5) Any obligation bearing interest at an inverse floating rate;

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity;

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index;

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment; or

(9) Any investment to which S&P has added an "r" or "t" highlighter.

(B) So long as the Credit Facility is not in effect,

(1) Government Obligations;

(2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit System Banks Consolidated Obligations, Banks for Cooperatives, Tennessee Valley Authority, Washington Metropolitan Area Transportation Authority, United States Postal Service, Farmers' Home Administration and Export Import Bank of the United States;

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

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

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

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

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

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

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

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

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

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

“Letter of Representations” means, with respect to each Series of 2006 Series A Bonds, the Blanket Issuer Letter of Representations, dated April 26, 1996, from the Corporation to DTC, applicable to such Series of the 2006 Series A Bonds.

“Loan Agreement” means the Financing Agreement, dated as of December 1, 2006, 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.

“Mandatory Purchase Provision” means the purchase provision of the 2006 Series A Bonds for the purchase of any 2006 Series A Bonds on any Change Date pursuant to the Resolution.

“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 December 1, 2006, executed by the Mortgagor and Michael J. Sessa Apartments, Inc. 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 Loan 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, as secured by the Mortgage, the Multifamily Note (together with all addenda thereto), evidencing the Mortgage Loan, dated December 1, 2006, 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

“Mortgage Note Payments Interest” means, with respect to the Mortgage Loan, the right of the Trustee to receive and retain all payments due and owing under the Mortgage Note, but not (a) the Facility Fee, (b) late charges, (c) default interest, (d) escrow payments for reserves, taxes, insurance and other impositions, and (e) payments pursuant to any Ancillary Collateral Agreement.

“Mortgage Rights” means, with respect to the Mortgage Loan, without limitation, all of the rights under the Mortgage Note, the Mortgage and the other Mortgage Documents to direct actions, grant consents, grant extensions, grant waivers, grant requests, give approvals, give directions, give releases, make appointments, take actions and do all other things under the Mortgage Note, the Mortgage and the other Mortgage Documents, including, without limitation, the right, power and authority to assign or delegate the right, power and authority to enter into ancillary agreements, documents and instruments otherwise relating to the Mortgage Loan, including agreements with respect to the servicing of the Mortgage Loan, and to vest in its assignee such rights, powers and authority as may be necessary to implement any of the foregoing. “Mortgage Rights” does not include the Mortgage Note Payments Interest.

“Mortgagor” means Seaview Towers 2006, LP, a limited partnership organized and existing under and by virtue of the laws of the State of New York, which is the mortgagor with respect to the Mortgage Loan, and its successors and permitted transferees as owner of the Project.

“Non-Bond Mortgage” means, collectively, the mortgage or mortgages or other instruments securing the loans made by the Corporation to the Mortgagor on the date of issuance of the 2006 Series A Bonds with funds other than the proceeds of the 2006 Series A Bonds for the development of the Project

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

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

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

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

(b) obligations, as described in “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Defeasance”, in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond 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 “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Defeasance”.

“Participants” means those broker-dealers, banks and other financial institutions for which DTC holds the 2006 Series A Bonds as securities depository.

“Permitted Encumbrances” means such liens, encumbrances, declarations, 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, the Purchased Bonds, Custody and Security Agreement, which may be entered into among the Mortgagor, the Trustee, as custodian and collateral agent for the Credit Facility Provider, and the Credit Facility Provider.

“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; provided that, with respect to any amounts payable under Section 236 of the National Housing Act or Section 8 of the U.S. Housing Act, only those amounts duly and properly paid and actually received by or on behalf of the Corporation or the Trustee shall constitute Pledged Receipts, (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 such Servicer or the Credit Facility Provider.

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

“Principal Office”, when used with respect to the Trustee shall mean Deutsche Bank Trust Company Americas, Trust & Securities Services, 60 Wall Street, 27th Floor, Mailstop NYC60-2715, New York, New York 10005, when used with respect to the Tender Agent shall mean the address of any Tender Agent appointed in accordance with the terms of the Resolution or such other offices designated to the Corporation in writing by the Trustee or Tender Agent, as the case may be.

“Project” means the multi-family rental housing development located at 331 Beach 31st Street and 333 Beach 32nd Street in the Borough of Queens and County of Queens, City and State of New York, as more fully described under the caption “THE PROJECT AND THE MORTGAGOR – The Project” herein.

“Qualified Financial Institution” means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, savings and loan association, or insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) Federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Facility Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation or (vii) any other entity which is

acceptable to the Credit Facility Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term “Investment Securities” or an entity which guarantees or insures, as applicable, the agreement, a “Qualified Financial Institution” may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

“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 covenants of the Resolution relating to rebate 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 the first day of the calendar month in which any Interest Payment Date occurs.

“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 the 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) the partial prepayment of the Mortgage Loan required to be made at certain times when the principal amount thereof is in excess of the Permanent Phase Mortgage Loan Amount as described under “THE MORTGAGE LOAN AND OTHER FINANCING”; (v) 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, together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such damage or destruction; (vi) the Mortgage Loan Mandatory Prepayment received prior to December 1, 2008; or (vii) 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 together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such condemnation or agreement.

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

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

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

“Regulatory Agreement” means the Regulatory Agreement, dated as of the date of initial issuance of the 2006 Series A Bonds, by and among the Corporation, the Mortgagor and Michael J. Sessa Apartments, Inc., as the same may be amended or supplemented from time to time.

“Reimbursement Agreement” means, with respect to the Credit Facility, the Reimbursement Agreement, dated as of December 1, 2006, between the Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time.

“Resolution” means the Multi-Family Rental Housing Revenue Bonds (Seaview Towers) Bond Resolution adopted by the Corporation on September 25, 2006 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 2006 Series A 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 in 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.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, if such successors and assigns shall continue to perform the functions of a securities rating agency.

“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 (i) the tender agent, if any, 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, all appointed in accordance with the terms of the Resolution, and (ii) the Trustee if no tender agent is appointed under the Resolution.

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

“2006 Series A Bonds” means the Bonds of such name authorized to be issued pursuant to the Resolution.

“Wrongful Dishonor” means (i) an uncured and willful default by the Credit Facility Provider, or (ii) an uncured default resulting from the gross negligence of the Credit Facility Provider, in each case, of its obligations to honor a request for payment made in accordance with the terms of the Credit Facility.

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## 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. The multi-family residential developments financed under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution, adopted by its Members on July 27, 1993, as amended from time to time (the "General Resolution") are described below in "Section B – Housing Revenue Bond Program." As of July 31, 2006, the Corporation had bonds outstanding in the aggregate principal amount of approximately \$5,263,026,426. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution. None of the bonds under the bond programs described in "Section A–Multi-Family Program," "Section C–Liberty Bond Program," and "Section D–Section 223(f) Refinancing Program" provide security under the General Resolution, and none of the bonds under these programs is secured by the General 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. The following describes the Corporation's activities under its Multi-Family Program.

(1) Rental Projects; Fannie Mae or Freddie Mac Enhanced: The Corporation has issued tax-exempt and/or taxable bonds which either (i) are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under various collateral agreements, (ii) are secured by a Direct Pay Credit Enhancement Instrument issued by Fannie Mae or (iii) are secured by a Direct Pay Credit Enhancement Agreement with Federal Home Loan Mortgage Corporation ("Freddie Mac").

(2) Rental Projects; Letter of Credit Enhanced: The Corporation has issued tax-exempt and/or taxable bonds to finance a number of mixed income projects and entirely low income projects, which bonds are secured by letters of credit issued by investment-grade rated commercial lending institutions.

(3) Rental Projects; FHA-Insured Mortgage Loan: The Corporation has issued bonds to finance a number of mixed income projects with mortgages insured by the Federal Housing Administration ("FHA").

(4) Hospital Staff Housing; Credit Enhanced: The Corporation has issued bonds to provide financing for residential facilities for hospital staff, which bonds are secured by bond insurance or letters of credit issued by investment-grade rated institutions.

(5) Cooperative Housing; SONYMA-Insured Mortgage Loan: The Corporation has issued tax-exempt obligations in order to fund underlying mortgage loans to cooperative housing developments. Each mortgage loan in this program is insured by the State of New York Mortgage Agency ("SONYMA").

(6) Rental Project; REMIC-Insured Mortgage Loan: 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.

(7) Senior Housing; Letter of Credit Enhanced: The Corporation has issued tax-exempt obligations to finance a mortgage loan for low-income senior housing, which obligations are secured by letters of credit issued by investment-grade rated commercial lending institutions.

B. Housing Revenue Bond Program. Under its Housing Revenue Bond Program, the Corporation may issue bonds payable solely from and secured by the assets held under the General Resolution which include a pool of mortgage loans, some of which are construction loans (which pool contains FHA-insured mortgage loans, REMIC-insured mortgage loans, SONYMA-insured mortgage loans, GNMA mortgage-backed securities, other mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and

securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments. As of July 31, 2006, seventy-four (74) series of bonds have been issued under the Housing Revenue Bond Program.

C. Liberty Bond Program. In accordance with Section 301 of the Job Creation and Worker Assistance Act of 2002, the Corporation has issued tax-exempt and taxable bonds, each secured by a letter of credit, to finance the development of multi-family housing within an area of lower Manhattan designated in such legislation as the “Liberty Zone.”

D. Section 223(f) Refinancing Program. Under this program, the Corporation acquires mortgages originally made by The City of New York (the “City”), obtains federal insurance thereon and either sells such insured mortgages or issues its obligations secured by said insured mortgages and pays the net proceeds of the sale of such mortgages or issuance of obligations to the City. Each series of bonds issued under this program is secured by a mortgage loan insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934, as amended (the “National Housing Act”). Debt service on each series of bonds is paid only from monies received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act.

The following table summarizes bonds outstanding under these bond programs as of July 31, 2006:

	<u>No. of Units</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Year of Issue</u>
<b><u>MULTI-FAMILY PROGRAM</u></b>				
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Related-Carnegie Park	461	\$66,800,000	\$66,800,000	1997
Related-Monterey	522	\$104,600,000	\$104,600,000	1997
Related-Tribeca Tower	440	\$55,000,000	\$55,000,000	1997
One Columbus Place Development	729	\$150,000,000	\$142,300,000	1998
Parkgate Development	207	\$37,315,000	\$36,500,000	1998
100 Jane Street Development	148	\$17,875,000	\$16,450,000	1998
Brittany Development	272	\$57,000,000	\$57,000,000	1999
West 43 <sup>rd</sup> Street Development	375	\$55,820,000	\$52,220,000	1999
Related-West 89 <sup>th</sup> Street Development	265	\$53,000,000	\$53,000,000	2000
Westmont Apartments	163	\$24,200,000	\$24,200,000	2000
Queenswood Apartments	296	\$10,800,000	\$10,800,000	2001
Related-Lyric Development	285	\$91,000,000	\$89,500,000	2001
James Tower Development	201	\$22,200,000	\$21,520,000	2002
The Foundry	222	\$60,400,000	\$57,000,000	2002
Related Sierra Development	212	\$56,000,000	\$56,000,000	2003
West End Towers	1,000	\$135,000,000	\$135,000,000	2004
Related Westport Development	371	\$124,000,000	\$124,000,000	2004

	<b>No. of Units</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Year of Issue</b>
Atlantic Court Apartments	321	\$104,500,000	\$104,500,000	2005
Progress of Peoples Developments	1,008	\$83,400,000	\$83,400,000	2005
Royal Charter Properties East, Inc. Project	615	\$98,775,000	\$97,575,000	2005
The Nicole	149	\$65,000,000	\$65,000,000	2005
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Columbus Apartments Project	166	\$23,570,000	\$21,870,000	1995
West 48 <sup>th</sup> Street Development	109	\$22,500,000	\$20,000,000	2001
First Avenue Development	231	\$44,000,000	\$44,000,000	2002
Renaissance Court	158	\$35,200,000	\$35,200,000	2004
89 Murray Street Development	232	\$49,800,000	\$49,800,000	2005
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Related-Upper East	262	\$70,000,000	\$70,000,000	2003
92 <sup>nd</sup> & First Residential Tower	196	\$57,300,000	\$57,300,000	2003
Aldus Street Apartments	164	\$14,200,000	\$14,200,000	2004
Brookhaven Apartments	95	\$9,100,000	\$9,100,000	2004
Courtlandt Avenue Apartments	167	\$15,000,000	\$15,000,000	2004
East 165 <sup>th</sup> Street Development	136	\$13,800,000	\$13,800,000	2004
Hoe Avenue Apartments	136	\$11,900,000	\$11,900,000	2004
Louis Nine Boulevard Apartments	95	\$9,500,000	\$9,500,000	2004
Manhattan Court Development	123	\$17,500,000	\$17,500,000	2004
Marseilles Apartments	135	\$13,625,000	\$13,425,000	2004
Nagle Courtyard Apartments	100	\$9,000,000	\$9,000,000	2004
Odgen Avenue Apartments	130	\$10,500,000	\$10,500,000	2004
Parkview Apartments	110	\$12,605,000	\$12,605,000	2004
Peter Cintron Apartments	165	\$14,400,000	\$14,400,000	2004
Thessalonica Court Apartments	191	\$19,500,000	\$19,500,000	2004
West 61 <sup>st</sup> Street Apartments	211	\$54,000,000	\$54,000,000	2004
15 East Clarke Place Apartments	102	\$11,600,000	\$11,600,000	2005
33 West Tremont Avenue Apartments	84	\$8,450,000	\$8,450,000	2005
155 West 21 <sup>st</sup> Street Development	109	\$42,700,000	\$42,700,000	2005
270 East Burnside Avenue Apartments	114	\$13,000,000	\$13,000,000	2005
1090 Franklin Avenue Apartments	60	\$6,200,000	\$6,200,000	2005

	<b>No. of Units</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Year of Issue</b>
1904 Vyse Avenue Apartments	96	\$9,650,000	\$9,650,000	2005
2007 La Fontaine Avenue Apartments	88	\$8,500,000	\$8,500,000	2005
Grace Towers Apartments	168	\$11,300,000	\$11,300,000	2005
Highbridge Apartments	296	\$32,500,000	\$32,500,000	2005
La Casa del Sol	114	\$12,800,000	\$12,800,000	2005
Morris Avenue Apartments	210	\$22,700,000	\$22,700,000	2005
Ogden Avenue Apartments II	59	\$5,300,000	\$5,300,000	2005
Parkview II Apartments	88	\$10,900,000	\$10,900,000	2005
The Schermerhorn Development	217	\$30,000,000	\$30,000,000	2005
Urban Horizons II Development	128	\$19,600,000	\$19,600,000	2005
White Plains Courtyard Apartments	100	\$9,900,000	\$9,900,000	2005
Granville Payne Apartments	103	\$12,250,000	\$12,250,000	2006
Reverend Ruben Diaz Gardens Apartments	111	\$13,300,000	\$13,300,000	2006
Target V Apartments	83	\$7,200,000	\$7,200,000	2006
Villa Avenue Apartments	111	\$13,700,000	\$13,700,000	2006
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Chelsea Centro	356	\$86,900,000	\$81,700,000	2002
<i>Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced</i>				
East 17 <sup>th</sup> Street Properties	236	\$36,600,000	\$29,000,000	1993
Montefiore Medical Center Project	116	\$8,400,000	\$8,000,000	1993
The Animal Medical Center	42	\$10,140,000	\$10,140,000	2003
<i>Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan</i>				
Maple Court Cooperative	134	\$12,330,000	\$10,735,000	1994
Maple Plaza Cooperative	154	\$16,750,000	\$15,195,000	1996
<i>Multi-Family Mortgage Revenue Bonds –Rental Project; REMIC-Insured Mortgage Loan</i>				
Barclay Avenue Development	66	\$5,620,000	\$5,170,000	1996
<i>Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced</i>				
55 Pierpont Development	189	\$6,100,000	\$4,700,000	2000

	<b>No. of Units</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Year of Issue</b>
<b><u>MILITARY HOUSING REVENUE BONDS</u></b>				
Fort Hamilton Housing	228	\$47,545,000	\$47,545,000	2004
<b><u>HOUSING REVENUE BOND PROGRAM</u></b>				
<i>Multi-Family Housing Revenue Bonds<sup>1</sup></i>	88,048	\$2,156,875,000	\$1,665,610,000	1993-2006
<i>Multi-Family Secured Mortgage Revenue Bonds</i>	313	\$6,185,000	\$6,185,000	2005
<b><u>LIBERTY BOND PROGRAM</u></b>				
<i>Multi-Family Mortgage Revenue Bonds</i>				
90 Washington Street <sup>2</sup>	398	\$74,800,000	\$74,800,000	2005
The Crest <sup>3</sup>	476	\$143,800,000	\$143,800,000	2005
2 Gold Street	650	\$217,000,000	\$217,000,000	2006
20 Exchange Place	366	\$210,000,000	\$210,000,000	2006
90 West Street <sup>2</sup>	410	\$112,000,000	\$112,000,000	2006
<b><u>SECTION 223(f) REFINANCING PROGRAM</u></b>				
<i>Multifamily Housing Limited Obligations Bonds</i>	4,856	\$79,998, 100	\$25,118,120	1977
<i>FHA-Insured Mortgage Loans</i>	13,200	\$299,886,700	\$45,018,306	1978
<b><u>CAPITAL FUND PROGRAM REVENUE BONDS</u></b>				
<i>New York City Housing Authority Program</i>	N/A	\$281,610,000	\$274,795,000	2005
<b>TOTAL</b>	<b><u>124,253</u></b>	<b><u>\$6,113,774,800</u></b>	<b><u>\$5,263,026,426</u></b>	

**II. MORTGAGE LOAN PROGRAMS.** The Corporation funds mortgage loans under various mortgage loan programs, including the significant programs described below. These mortgage loans are funded from bond proceeds and/or the Corporation’s unrestricted reserves. See “PART I—BOND PROGRAMS” above.

A. *Affordable Housing Permanent Loan Program.* The Corporation has established a program to make permanent mortgage loans for projects constructed or rehabilitated, often in conjunction with The City of New York Department of Housing Preservation and Development (“HPD”) and other lender loan programs.

B. *Low-Income Affordable Marketplace Program.* The Low-income Affordable Marketplace Program (“LAMP”) finances the creation of predominately low-income housing using tax-exempt bonds and as of right 4% tax credits with 10% to 30% of the project reserved for formerly homeless households. LAMP allows the direct infusion of subsidy from the Corporation’s reserves. The funds are advanced during construction and remain in the project through the term of the permanent mortgage loan. During construction, the funds bear interest at 1%. While in the permanent phase, the funds must at least bear interest at 1%, but may provide for amortization, depending on the particular project.

<sup>1</sup> Aggregate information for all seventy-four (74) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1993 through 2006 as described in Section B above.

<sup>2</sup> This project was also financed under the “Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced” Program as described in Section A above.

C. Mixed Income. Under the Mixed-Income Program, HDC combines the use of credit enhanced variable rate, tax-exempt private activity bonds with subordinate loans funded from the Corporation's reserves to finance mixed-income multi-family rental housing. Typically, the developments reserve 50% of the units for market rate tenants, 30% of the units for moderate to middle income tenants and 20% of the units for low income tenants.

D. New Housing Opportunities Program. The Corporation has established a New Housing Opportunities Program ("New HOP") to make construction and permanent mortgage loans for developments intended to house low and moderate income tenants. The developments also receive subordinate loans from the Corporation. The first mortgage loans under New HOP have been, or are expected to be, financed by the proceeds of obligations issued under the Housing Revenue Bond Program. See "Section B—Housing Revenue Bond Program" in PART I—BOND PROGRAMS above.

**III. OTHER LOAN PROGRAMS.** In addition to funding mortgage loans, the Corporation funds loans not secured by a mortgage under various programs, including the programs described below.

A. New Ventures Incentive Program. The Corporation participated in the New Ventures Incentive Program ("NewVIP"), a multi-million dollar public-private partnership between the City and member banks established in the fall of 2003. The Corporation originated three NewVIP loans, two of which have been repaid.

B. Other. Among other programs, the Corporation has funded a loan to finance the construction of military housing at Fort Hamilton in Brooklyn, New York secured by notes and financed through the issuance of bonds. The Corporation has funded a loan to the New York City Housing Authority ("NYCHA") to provide funds for modernization and to make certain improvements to numerous various public housing projects owned by NYCHA in the City. The Corporation has provided interest-free working capital loans to not-for-profit sponsors of projects through HPD's Special Initiatives Program. The proceeds of such loans are used for rent-up expenses and initial operation costs of such projects. The Corporation also has provided interim assistance in the form of unsecured, interest-free loan to the Neighborhood Partnership Housing Development Fund Company, Inc. to fund certain expenses associated with HPD's Neighborhood Entrepreneurs Program.

**IV. LOAN SERVICING.** The Corporation services the majority of its own loans and also services loans for others. Such loan servicing activities, which are described below, relate to over 1,351 mortgage loans with an approximate aggregate face amount of \$8.3 billion.

A. Portfolio Servicing. The Corporation acts as loan servicer in connection with the permanent mortgage loans made to approximately 574 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate face amount of \$3.9 billion.

B. HPD Loan Servicing. The Corporation acts as loan servicer in connection with certain construction and permanent housing loan programs of HPD pursuant to several agreements with HPD. As of July 31, 2006, the Corporation was servicing construction and permanent loans made to approximately 566 developments in the approximate aggregate face amount of \$1.9 billion.

C. Loan Servicing Monitoring. In addition to the Corporation's loan servicing activities, the Corporation monitors the loan servicing activities of other servicers who service approximately 211 mortgage loans made under the Corporation's various bond, mortgage loan and other loan programs in the approximate aggregate face amount of \$2.5 billion.



**PROPOSED FORM OF OPINION OF BOND COUNSEL TO THE CORPORATION**

Upon delivery of the 2006 Series A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Corporation, 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 \$32,000,000 Multi-Family Rental Housing Revenue Bonds (Seaview Towers), 2006 Series A (the “2006 Series A Bonds”) of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation, created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2006 Series A Bonds are authorized to be issued pursuant to the Act and the Multi-Family Rental Housing Revenue Bonds (Seaview Towers) Bond Resolution of the Corporation, adopted September 25, 2006 (herein called the “Resolution”). The 2006 Series A Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2006 Series A Bonds are dated, mature, are payable, bear interest and are subject to redemption and tender as provided in the Resolution.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2006 Series A Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2006 Series A Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

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

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

(1) The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the Mortgage Loan, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 2006 Series A Bonds, and to perform its obligations under the terms and conditions of the Resolution, including financing the Mortgage Loan, as covenanted in the Resolution.

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

(3) The 2006 Series A Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State of New York (the “State”), including the Act.

(4) The 2006 Series A Bonds are valid and legally binding special revenue obligations of the Corporation payable solely from the revenues, funds or moneys pledged for the payment thereof pursuant to the Resolution, are enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

(5) The Bonds, including the 2006 Series A Bonds, are secured by a pledge in the manner and to the extent set forth in the Resolution. The Resolution creates the valid pledge of and lien on the Revenues (as defined in the Resolution) and all the Accounts (other than the Rebate Fund) established by the Resolution and moneys and securities therein, which the Resolution purports to create, subject only to the provisions of the Resolution permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution.

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

(7) The 2006 Series A Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2006 Series A Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged for the payment thereof.

(8) Under existing statutes and court decisions, (i) interest on the 2006 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2006 Series A Bond for any period during which such 2006 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2006 Series A Bonds or a “related person,” and (ii) interest on the 2006 Series A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor (as defined in the Resolution) and others, in connection with the 2006 Series A Bonds, and we have assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2006 Series A Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2006 Series A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the 2006 Series A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2006 Series A Bonds, or exemption from personal income taxes of interest on the 2006 Series A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2006 Series A Bonds and the Resolution may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to the general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed 2006 Series A Bond and in our opinion the form of said Bond and its execution is regular and proper.

Very truly yours,

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## DESCRIPTION OF THE SUBSIDY PROGRAMS

**Section 236 Program**

**General.** Pursuant to Section 236 of the National Housing Act (“Section 236”), the Secretary of HUD (the “Secretary”) enters into contracts with eligible Section 236 mortgagees (each a “Section 236 Contract”) to make periodic interest reduction payments to such Section 236 mortgagees, on behalf of mortgagors. HUD’s interest reduction subsidy payment share is in an amount equal to the difference between the monthly payment for principal, interest and mortgage servicing fees or mortgage insurance premiums, as appropriate, which the mortgagor of a project is obligated to pay under its mortgage loan and the monthly payment for principal and interest a mortgagor would be obligated to pay if its mortgage loan were to bear interest at the rate of one per centum (1%) per annum. Under Section 236, interest reduction payments with respect to a project (the “IRP”) shall be made only during the period that such project is operated as a rental or cooperative housing project.

**Termination of the IRP.** HUD is obligated to make the IRP under the Section 236 Contract and may not terminate the IRP under the Section 236 Contract, except under the circumstances described below, including, but not limited to, certain foreclosure actions instituted by a Section 236 mortgagee. If the IRP is terminated, the Secretary may reinstate it at his or her discretion pursuant to such additional requirements as the Secretary may prescribe. The Section 236 Contract may be terminated at the option of, and upon written notice from, the Secretary after the expiration of one year from the date of the termination of the IRP, unless such payments have been reinstated. **In the event HUD were to terminate the IRP in respect of a project, such terminated IRP would not be available to pay debt service on the mortgage loan for such project, which could result in a default on the mortgage loan.**

**Acquisition by Ineligible Owner; Transfer Limitation of Mortgage Loan.** HUD may terminate the IRP with respect to a project if the project is acquired by any owner who is not an eligible mortgagor under Section 236. The Mortgagor has covenanted in its Section 236 Contract only to transfer the Project to an eligible mortgagor approved by the Secretary and the Mortgagor has covenanted in the Mortgage not to transfer the Project without the consent of the Section 236 mortgagee. The Department of Housing and Urban Development Reform Act of 1989 (the “HUD Reform Act”) made public entities eligible to be owners of projects receiving assistance under Section 236. Pursuant to the HUD Reform Act, the Corporation is an eligible Section 236 mortgagee. Transfer of the Project is also subject to the prior approval of HPD.

The Mortgagor’s Section 236 Contract provides that the Mortgage Loan may only be assigned, including any assignment or reassignment between the Corporation and the Trustee, with HUD’s prior written approval. The Mortgagor's Section 236 Contract does permit an assignment of the Section 236 Contract and the IRP to the Corporation and the Trustee.

**Excess Income.** Pursuant to a Section 236 Contract, the mortgagor is permitted to charge (i) a basic or subsidized rental charge for each subsidized dwelling unit in the project (the “basic rent”), determined on the basis of the anticipated operating costs of the project assuming the payment of principal and interest on a mortgage note bearing interest at the rate of 1% per annum and an amortization period of up to fifty (50) years, and (ii) a market rental charge for each such unit, determined on the basis of the anticipated operating costs of the project assuming payment of principal and interest at the unsubsidized mortgage rate (the “market rent”). The rent charged for each subsidized unit (the “tenant rent”) is generally the greater of the basic rent or thirty per centum (30%) of the tenant’s adjusted monthly income, but in no event may the mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Under a Section 236 Contract, the Section 236 mortgagee and HUD must approve all rent increases.

The Section 236 Contract provides that the mortgagor shall pay monthly to HUD all rental charges collected in excess of the basic rental charges for all occupied units (“Excess Income Payments”). In a notice issued by HUD on January 4, 1991 with respect to all mortgagors subject to Section 236 Contracts, HUD stated that it would implement strict enforcement actions against an owner of a project who does not remit excess rental amounts. This notice states that HUD should attempt to recover Excess Income Payments if the affected mortgagor does not make a lump sum payment or enter into a repayment schedule with HUD through the following actions listed in

order of priority: use of the project's residual receipts, repayment of distributions, surplus cash and finally, project income. Among HUD's numerous potential remedies against the affected mortgagors are suspension of interest reduction payments. No assurance can be given regarding which remedies, if any, HUD will utilize against affected mortgagors in the event HUD seeks to affirmatively enforce the collection of Excess Income Payments.

In 1999, Congress passed the "Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act" (the "1999 Act"). This and subsequent legislation allow mortgagors of Section 236 projects to retain excess rents for project purposes if consented to by HUD. No assurance can be given as to the impact of the revised Section 236 in the current or any future fiscal year on the ability of the Mortgagor to cover operating expenses and debt service on the Mortgage Loan without requiring an increase in rents after Excess Income Payments are remitted to HUD.

The 1999 Act also permits mortgagors of Section 236 projects to refinance their mortgages (if the mortgages are otherwise eligible for prepayment) while retaining the Section 236 subsidy, which HUD generally refers to as its Section 236 decoupling program (the "Decoupling Program"). HUD has considerable discretion in implementing the decoupling program and Section 236 Contracts executed pursuant to the program may have terms different from those described herein for the program generally. Among other things, in order to benefit from the decoupling program, the mortgagor must agree to enforce the income restrictions applicable to tenants in the development for a period ending five years beyond the term of assistance under the new Section 236 Contract.

Certain Mortgagor Covenants. The Mortgagor has covenanted in its Section 236 Contract to limit admission to the subsidized dwelling units in the Project to those families whose incomes do not exceed the applicable limits approved by the Corporation, as Section 236 mortgagee, or the Secretary, with the exception (with the consent of the Secretary) of those tenants who agree to pay fair market rent. The Section 236 Contract contains other covenants relating to the preference for occupancy for certain displaced or low income families, the compliance with applicable civil rights laws prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and the number of subsidized units which may be rented to any one tenant at any one time. The Secretary has the authority to suspend or terminate the IRP at any time upon default by the Mortgagor under any of such covenants or upon any other default by the Mortgagor or the Corporation, as Section 236 mortgagee, under the terms and conditions of the Section 236 Contract.

The Mortgagor has covenanted to maintain habitability of the Project units. Under the terms of the Mortgagor's Section 236 Contract, HUD may adjust subsidy payments in the event a subsidized unit is destroyed or otherwise rendered not habitable for any reason unless such unit is restored or rehabilitated within a reasonable time or unless an unsubsidized unit is designated in its place.

HUD and the Mortgagor have also entered into a Section 236(e)(2) Use Agreement pursuant to which the Mortgagor covenants to maintain rent restrictions applicable to the Project under the Section 236 Decoupling program for a period of five years beyond the expiration of the Mortgagor's Section 236 Contract.

Set-Off Rights of the United States. Payments under the Mortgagor's Section 236 Contract duly and properly paid and actually received by or on behalf of the Corporation have been pledged to the Trustee as part of the security for the 2006 Series A Bonds, and the Corporation is obligated to deliver to the Trustee all such payments upon receipt. Under Federal law, the United States Government has the right to set-off liabilities to the United States against the amounts payable under a Section 236 Contract. The Corporation does not believe it has any liabilities to the United States which would result in any set-off against such payments for the Project. The set-off right of the United States described above applies only to payments under a Section 236 Contract which have not actually been paid by HUD. Once payments under a Section 236 Contract are received by a Section 236 mortgagee and delivered to a trustee, they cannot be subjected to repayment to the United States by such trustee. However, in the case of excessive payments under a Section 236 Contract, the Section 236 mortgagee would remain obligated to refund to the Secretary the amount which was overpaid, and such liabilities could be offset against future payments under the Section 236 Contract.

Section 236, the rules, regulations and directives promulgated pursuant thereto and the Section 236 Contract, do not contain any express requirement that any savings which result from a reduction in the Corporation's cost of borrowing due to a refunding of its obligations issued to finance a mortgage loan must be used to lower the interest rate on the mortgage loan and thereby to reduce the IRP. Consequently, the Corporation has not reduced the

interest rate on the Mortgage Loan as a result of the issuance of the 2006 Series A Bonds. Based on the foregoing, the Corporation does not believe that HUD or any other party is entitled to all or a portion of the Corporation's debt service savings that result from the issuance of the 2006 Series A Bonds. However, no assurance can be provided that HUD will not assert a right to reduce the amount of payments payable under the Mortgagor's Section 236 Contract based upon the issuance of the 2006 Series A Bonds. If such a right is asserted, HUD could take certain actions including attempting to reduce payments under the Mortgagor's Section 236 Contract.

HPD Supervision. The Project was constructed and is operated as a limited-profit housing project in accordance with the Mitchell-Lama Law. See "Mitchell Lama Program – HPD Supervision" below.

### **Section 8 Tenant Based Voucher Programs - Enhanced Vouchers**

Pursuant to Section 8 of the U.S. Housing Act ("Section 8"), HUD provides a broad program of tenant-based subsidies administered primarily by state and local housing agencies acting as public housing agencies (PHAs), including the Corporation. Under the tenant-based housing voucher program (often called "housing choice vouchers"), eligible families, generally those whose incomes do not exceed 50% of area median income, receive a subsidy equal to the difference between 30% of the eligible family's "adjusted income" and a PHA's payment standard for rent levels for the applicable area, each as calculated according to HUD rules. "Income targeting" rules require that 75% of such vouchers newly allocated each year by a housing authority generally must be allocated to families whose incomes do not exceed 30% of median income. Eligible families are free to rent any housing units that meet HUD's physical property standards. Thus, these vouchers are issued to the family rather than being tied to a particular housing project as is the case with project-based Section 8 contracts.

HUD offers a variant of its tenant-based housing voucher program for "preservation projects," which include projects with subsidized mortgages insured under Section 221(d)(3) of the National Housing Act and Section 236, which are being prepaid, and including Section 236 decoupling transactions, and other situations where a long-term project-based Section 8 contract is ending. This program enables income eligible tenants that are not otherwise receiving HUD subsidies to receive a voucher ("Enhanced Voucher") that reflects a rent level (the "payment standard") calculated to be sufficient to allow the tenant to remain in the project at new rent levels that HUD considers "reasonable" (e.g., not above the market for comparable, unassisted projects in the area). For Section 236 decoupling transactions, the rent level typically is the actual approved "basic" rent at the project. These approved rents are often higher than the payment standard that would normally apply to housing choice vouchers, but may only be used at the particular project with respect to which the Enhanced Voucher was issued. Should the tenant move from that project, the voucher converts to a regular housing choice voucher and the amount of the subsidy is changed to reflect the payment standard for the housing choice voucher program in the area.

Only income eligible tenants that are in occupancy at time of the decoupling or other prepayment of a HUD insured mortgage or contract termination or expiration are eligible to receive Enhanced Vouchers. As these tenants vacate their apartments, their Enhanced Vouchers travel with them, and new tenants are not eligible to receive Enhanced Vouchers (although new tenants may have housing choice vouchers). Enhanced Vouchers call for a minimum payment from the family equal to the greater of: (i) the rent the family is paying at the time the HUD-insured mortgage is prepaid, and (ii) 30% of the family's adjusted income as determined by HUD; with provision for adjustment if the family's income declines to a significant extent. The income targeting rules for newly admitted families to the housing choice voucher program are not applied to Enhanced Vouchers, and therefore every otherwise eligible family may receive an Enhanced Voucher.

The Enhanced Voucher program was enacted as part of the HUD appropriations acts beginning in 1997, and became a permanent program under the 2000 Appropriations Act (Section 538 of Public Law 106-74). The program is now codified as Section 8(t) of the United States Housing Act of 1937 (42 USC 1437f (t)). The availability of funding for both housing choice vouchers and Enhanced Vouchers is subject to appropriations.

### **Mitchell-Lama Program**

**General.** The Mitchell-Lama program was created to facilitate the construction and continued operation of affordable moderate and middle income rental and cooperative housing in the State of New York. Each rental project in the Mitchell-Lama program was constructed and is operated as a limited-profit housing project or a cooperative in accordance with Article 2 of the New York Private Housing Finance Law and the rules and regulations promulgated thereunder (the “Mitchell-Lama Law”).

**HPD Supervision.** The City of New York Department of Housing Preservation and Development (“HPD”) has supervisory authority over those projects in the Mitchell-Lama program which received financing from the City or the Corporation. HPD carries out all its supervisory functions with limited resources, which may affect the priority or completion time frames for its various supervisory activities.

HPD regulates the project’s rental procedures and tenant income limits. HPD oversees the renting of vacant units including the establishment of waiting lists and the advertising process relating thereto. HPD approves the admission of new tenants as well as the transfer of existing tenants to other units in a project. HPD also verifies initial and annual tenant income certifications submitted by tenants to ensure that the tenant income requirements of the Mitchell-Lama program are maintained. Tenants with incomes in excess of the certain income requirements are required to pay rent surcharges to the project owners.

HPD conducts a periodic physical inspection of the common areas of the projects in the Mitchell-Lama program in order to assess property maintenance levels. HPD has power to audit the books of a project owner and conducts a periodic site administrative review to review service contracts, insurance coverage and the project’s record keeping systems. HPD also reviews all commercial leases, contracts in excess of \$5,000 or \$10,000 depending on project size, monthly project operations reports, the use of blocked reserve accounts and the annual profit retained by the project owner.

HPD approves all rent increase applications after holding a public hearing and reviewing a financial analysis prepared by HPD and project owners, provided, however, such rental increases in projects benefitting from the Section 236 program are also subject to the approval of HUD. HPD has the right to remove any or all of the existing directors of an ownership entity and to appoint individuals that HPD deems advisable in the event of a violation of a provision of the owner’s certificate of incorporation, any applicable law, the loan or mortgage contract or HPD’s rules and regulations.



**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Seaview Towers 2006, LP (the “Mortgagor”) and Deutsche Bank Trust Company Americas (the “Bond Trustee”) in connection with the issuance of \$32,000,000 aggregate principal amount of New York City Housing Development Corporation, Multi-Family Rental Housing Revenue Bonds (Seaview Towers), 2006 Series A (the “2006 Series A Bonds” or the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the New York City Housing Development Corporation (the “Issuer”), adopted September 25, 2006 (the “Resolution”). The Mortgagor and the Bond Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Mortgagor and the Bond Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Mortgagor pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the President or any Vice President of the managing member of the Mortgagor or his or her designee, or such other officer or employee as the Mortgagor shall designate in writing to the Bond Trustee from time to time.

“Dissemination Agent” shall mean any dissemination agent (which may be the Bond Trustee) designated in writing by the Mortgagor and which (if not the Bond Trustee) has filed with the Bond Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

“Official Statement” means the final Official Statement dated December 14, 2006 relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New York.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) So long as the Bonds bear interest at an ARS Rate, a Term Rate or a Fixed Rate, the Mortgagor shall, or shall cause the Dissemination Agent, if any, to, not later than six months after the end of the Mortgagor's fiscal year (presently December 31), commencing with the report for the 2006 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited consolidated financial statements of the Mortgagor may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Mortgagor's fiscal year changes, the Mortgagor shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Mortgagor shall provide the Annual Report to the Dissemination Agent, if any, and the Bond Trustee. If by such date, the Bond Trustee has not received a copy of the Annual Report, the Bond Trustee shall contact the Mortgagor and the Dissemination Agent, if any, to determine if the Mortgagor is in compliance with the first sentence of this subsection (b).

(i) If the Bond Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Bond Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The Mortgagor's Annual Report shall contain or include by reference the following:

The audited consolidated financial statements of the Mortgagor for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

To the extent not otherwise included in the audited consolidated financial statements provided pursuant to paragraph (a) above, the financial information and operating data of the type contained under the heading "THE PROJECT AND THE MORTGAGOR" in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Mortgagor is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Mortgagor shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Mortgagor shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) modifications to rights of Bondholders;
- (4) optional, contingent or unscheduled bond calls;

- (5) defeasances;
- (6) rating changes;
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
- (8) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform;
- (11) release, substitution or sale of property securing repayment of the Bonds.

(b) The Bond Trustee shall, within five (5) Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event and request that the Mortgagor promptly notify the Bond Trustee in writing whether or not to report the event pursuant to subsection (d).

(c) Whenever the Mortgagor obtains knowledge of the occurrence of a Listed Event, because of a notice from the Bond Trustee pursuant to subsection (b) or otherwise, the Mortgagor shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Mortgagor has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Mortgagor shall file, or cause the Dissemination Agent, if any, to file, a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given by the Mortgagor under this subsection if the Trustee is required under the Resolution to file such notice and need not be given any earlier than the time that the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) If in response to a request under subsection (b), the Mortgagor determines that the Listed Event would not be material under applicable federal securities laws, the Mortgagor shall so notify the Bond Trustee in writing.

SECTION 6. Termination of Reporting Obligation. The Mortgagor's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds and at such time that the Mortgagor ceases to be an "obligated person" (as defined by the Rule). If the Mortgagor's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Mortgagor and the Mortgagor shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Mortgagor shall give notice of such termination, or shall cause notice of such termination to be given, in the same manner as for a Listed Event under Section 5(d).

SECTION 7. Dissemination Agent. The Mortgagor may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Mortgagor pursuant to this Disclosure Agreement, including but not limited to determining whether the contents of any Annual Report satisfy the requirements of Section 4 of the Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Mortgagor may amend this Disclosure Agreement (and the Bond Trustee shall agree to any amendment so requested by the Mortgagor), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of the Bond Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Mortgagor shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Mortgagor. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Mortgagor from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Mortgagor chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Mortgagor shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Mortgagor or the Bond Trustee to comply with any provision of this Disclosure Agreement, the Bond Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 51% aggregate principal amount of Outstanding Bonds, subject to its right to be indemnified to its satisfaction, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Mortgagor or Bond Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution or the Lease, and the sole remedy under this Disclosure Agreement in the event of any failure of the Mortgagor or the Bond Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Bond Trustee. For the purposes of defining the standards of care and performance and the protections and indemnities applicable to the Bond Trustee in the performance of its obligations under this Disclosure Agreement, Article IX of the Resolution is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Resolution. Anything herein to the contrary notwithstanding, other than as explicitly set forth herein, the Bond Trustee shall have no duty to investigate or monitor compliance by the Mortgagor with the terms of this Disclosure Agreement, including without limitation, reviewing the accuracy or completeness of any notices or filings filed by the Mortgagor hereunder.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Mortgagor: Seaview Towers 2006, LP  
Attention: Peter J. Alizio, Esq.  
1551 Franklin Avenue, 1st Floor  
Mineola, NY 11501

To the Bond Trustee: Deutsche Bank Trust Company Americas  
Trust & Securities Services  
60 Wall Street, 27<sup>th</sup> Floor  
Mailstop NYC60-2715  
New York, New York 10005

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Mortgagor, the Bond Trustee, the Dissemination Agent, if any, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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