NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1999 Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to the exclusion of interest on any 1999 Bond for any period during which such 1999 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (a) a "substantial user" of the facilities financed with the proceeds of the 1999 Bonds or (b) a "related person." The interest on the 1999 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In the opinion of Bond Counsel, under existing statutes, interest on the 1999 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.

$57,000,000

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Rental Housing Revenue Bonds (Brittany Development), 1999 Series A

Dated: Date of Delivery **Price 100%** **Due: June 15, 2029**

The 1999 Bonds will be issued as fully registered bonds in the initial denomination of $100,000 or any whole multiple of $100,000. The 1999 Bonds will be issued in book-entry form only, in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on and principal of the 1999 Bonds will be payable by United States Trust Company of New York, New York, New York, as trustee for the 1999 Bonds, to Cede & Co., as nominee of DTC. Purchasers of the 1999 Bonds will not receive physical delivery of bond certificates. The 1999 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

The 1999 Bonds relate to a project located in the Borough of Manhattan, New York (the "Project"). The Project is owned by 92nd Realty LLC, a Delaware limited liability company, (the "Mortgagor") and was originally financed with bonds issued by the New York City Housing Development Corporation. The 1999 Bonds are being issued to finance a Mortgage Loan to the Mortgagor in order to refinance the Project. Payment of principal of and interest on the 1999 Bonds will be secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which the 1999 Bonds are being issued, all as described herein. Payments under the Mortgage Note will be applied to the payment of the principal of and interest on the 1999 Bonds, and will be secured, to the extent described herein, by a Mortgage on the Project and by the obligations of Fannie Mae under a Collateral Agreement with respect to such Mortgage Note and Mortgage. Such Collateral Agreement also secures the purchase price of the 1999 Bonds tendered for purchase pursuant to the Resolution. The Collateral Agreement will remain in effect through the maturity date of the 1999 Bonds, unless terminated earlier in accordance with its terms as described herein.

The 1999 Bonds are subject to optional and mandatory redemption at the times and in the events set forth in the Resolution and described herein.

The 1999 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to and including June 22, 1999 at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 1999 Bonds. Thereafter, the 1999 Bonds will bear interest at the Weekly Rate, as determined from time to time by Goldman, Sachs & Co., payable on the fifteenth day of each month, commencing on the fifteenth day of July, 1999, unless the method for determining the interest rate on the 1999 Bonds is changed to a different method or the interest rate is converted to a fixed rate to maturity.

During the period that the 1999 Bonds bear interest at the Weekly Rate, any 1999 Bond shall be purchased upon demand by the owner thereof, at a purchase price of par plus accrued interest, on any Business Day, upon notice and delivery of such 1999 Bond to United States Trust Company of New York, New York, New York, the Tender Agent, as described herein. The 1999 Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such 1999 Bonds or upon provision of an Alternate Security for the then-existing Credit Facility. The 1999 Bonds will also be subject to mandatory tender for purchase in other circumstances (as well as redemption prior to maturity) as described herein.

This Official Statement in general describes the 1999 Bonds only while the 1999 Bonds bear interest at a Weekly Rate.

The 1999 Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation of the State of New York. The 1999 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 1999 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 1999 BONDS ARE SOLELY AS PROVIDED IN THE COLLATERAL AGREEMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE COLLATERAL AGREEMENT ARE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY-CHARTERED STOCKHOLDER-OWNED CORPORATION, AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. FANNIE MAE HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 1999 BONDS. THE 1999 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR OF ANY AGENCY THEREOF, OR OF FANNIE MAE, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FANNIE MAE.

The 1999 Bonds are offered when, as and if issued and received by the Underwriter and subject to the unqualified approval of legality by Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Haythe & Curley, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Counsel, Swidler Berlin Shereff Friedman, LLP, Washington, D.C. 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 1999 Bonds will be available for delivery in New York, New York on or about June 18, 1999.

Goldman, Sachs & Co.

Dated: June 11, 1999

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 1999 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 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. No representation or warranty is made, however, as to the accuracy or completeness of such information and nothing contained in the Official Statement is, or may be relied on as, a promise or representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation, 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 1999 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 1999 Bonds is limited to entering into the Collateral Agreement described herein with the Trustee.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1999 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 1999 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.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION, THE MORTGAGOR, THE PROJECT, FANNIE MAE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

$57,000,000
Multi-Family Rental Housing Revenue Bonds
(Brittany Development),
1999 Series A

This Official Statement (including the cover page and appendices) provides certain information concerning the New York City Housing Development Corporation (the "Corporation") in connection with the sale of $57,000,000 aggregate principal amount of its Multi-Family Rental Housing Revenue Bonds (Brittany Development), 1999 Series A (the "1999 Bonds"). The 1999 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 (Brittany Development) Bond Resolution" adopted by the Members of the Corporation on May 6, 1999. 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 1999 Bonds, are herein referred to as the "Bonds." United States Trust Company of New York, New York, New York will act as trustee for the 1999 Bonds (the "Trustee"). Certain defined terms used herein are set forth in Appendix A hereto.

INTRODUCTION

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

The 1999 Bonds relate to a project located at 1775 York Avenue in the Borough of Manhattan, New York (the "Project") which was originally financed with bonds of the Corporation. The Project is owned by 92nd Realty LLC, a Delaware limited liability company, (the "Mortgagor"). See "THE PROJECT AND THE MORTGAGOR." The 1999 Bonds are being issued to finance a mortgage loan (the "Mortgage Loan") to the Mortgagor to refinance the Project.

The Mortgage Loan will be evidenced by a mortgage note (the "Mortgage Note") executed by the Mortgagor in favor of the Corporation and secured by a mortgage, assignment of rents and security agreement encumbering the Project owned by the Mortgagor (the "Mortgage"). The principal amount and payment provisions of the Mortgage Note have been structured so that (i) the principal amount of the Mortgage Note will equal the principal amount of Outstanding 1999 Bonds and (ii) the interest payable on the Mortgage Note, together with an amount equal to the Interest Reserve Requirement, is expected to be not less than the interest payable on the Outstanding 1999 Bonds. To the extent that such amounts are not sufficient to pay interest on the 1999 Bonds when due or the Mortgagor fails to make a Required Mortgage Payment under the Mortgage Note, the Trustee will be entitled to receive payment in accordance with the terms and conditions of the Collateral Agreement, dated the date of issuance of the 1999 Bonds, between Fannie Mae and the Trustee (the "Collateral Agreement"). The Mortgage Loan is to be originated by the Corporation and the Mortgage Note and Mortgage are to be assigned, pursuant to an assignment and agreement (the "Assignment"), 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 of principal and interest 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. Payments on the Mortgage Note are to be made by the Mortgagor to American Property Financing,

Inc. (the "Servicer") and remitted by the Servicer to the Trustee (net of certain fees). See "SECURITY FOR THE BONDS."

The 1999 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 to the other security provided for under the Resolution, the required payments under the Mortgage Note will be secured by the Collateral Agreement. See "SECURITY FOR THE BONDS — Collateral Agreement" and "SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND THE REIMBURSEMENT AGREEMENT — The Collateral Agreement."

The Mortgagor will enter into a Reimbursement Agreement (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 Collateral Agreement. The Reimbursement Agreement includes as an event of default thereunder a default under any Borrower Document. Upon an event of default under the Reimbursement Agreement, Fannie Mae, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 1999 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND THE REIMBURSEMENT AGREEMENT — The Reimbursement Agreement — Events of Default" and "— Remedies," "DESCRIPTION OF THE 1999 BONDS — Redemption of 1999 Bonds — Mandatory Redemption Following an Event of Termination" and "DESCRIPTION OF THE 1999 BONDS — Credit Facility Provider's Right To Cause a Mandatory Tender for Purchase of 1999 Bonds Upon an Event of Termination."

The 1999 Bonds will initially bear interest at the Weekly Rate, to be determined weekly and as otherwise described herein by Goldman, Sachs & Co. as remarketing agent for the 1999 Bonds (in such capacity, the "Remarketing Agent"). Under certain circumstances, and with the prior written consent of Fannie Mae, the method of calculating the interest rate borne by the 1999 Bonds may be changed from time to time to a different method provided for in the Resolution or the interest rate may be converted to a fixed rate to maturity. See "DESCRIPTION OF THE 1999 BONDS." The 1999 Bonds are subject to a maximum interest rate of ten percent (10%) per annum, subject to adjustment in accordance with the Resolution

During any period of time in which the 1999 Bonds bear interest at the Weekly Rate, such 1999 Bonds are subject to purchase at a price equal to 100% of the principal amount of such 1999 Bonds plus accrued and unpaid interest thereon to the date of purchase (the "Purchase Price"). Such purchase shall be made upon demand of the owner thereof on any Business Day upon seven days' prior notice delivered prior to 4:00 p.m., New York City time. The 1999 Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption as set forth in the Resolution and described herein. Payment of the Purchase Price of tendered 1999 Bonds that are not remarketed is secured under the Collateral Agreement. As more fully described herein, the loss of exclusion of interest on the 1999 Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the 1999 Bonds.

This Official Statement in general describes the 1999 Bonds only while the 1999 Bonds bear interest at the Weekly Rate.

The 1999 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 1999 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 1999 BONDS ARE SOLELY AS PROVIDED IN THE COLLATERAL AGREEMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE COLLATERAL AGREEMENT ARE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY-CHARTERED STOCKHOLDER-OWNED CORPORATION, AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. FANNIE MAE HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 1999 BONDS. THE 1999 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR OF ANY AGENCY THEREOF, OR OF FANNIE MAE, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FANNIE MAE.

Descriptions of the 1999 Bonds and sources of payment, the Corporation, Fannie Mae, the Mortgagor, the Project, the Mortgage Loan, the Collateral Agreement, 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 1999 Bonds are qualified in their entirety by reference to the Resolution and the provisions with respect thereto included in the aforesaid documents and agreements. Copies of the Resolution are available for inspection at the office of the Corporation. The Corporation has covenanted in the Resolution to provide a copy of each annual report of the Corporation (and certain special reports, if any) and any Accountant's Certificate relating thereto to each Bond owner who shall have filed such owner's name and address with the Corporation for such purposes. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Accounts and Reports" herein. Other than as so covenanted in the Resolution, the Corporation has not committed to provide any information on an ongoing basis to any repository or other entity or person. The Mortgagor has covenanted that in the event the Mortgagor exercises its right to convert the interest rate of the 1999 Bonds to a Term Rate or a Fixed Rate, the Mortgagor will execute a continuing disclosure agreement satisfactory to the Corporation and the Remarketing Agent prior to such conversion.

THE CORPORATION

Organization and Membership

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

Members

RICHARD T. ROBERTS, Chairperson and Member ex-officio. Mr. Roberts was appointed Commissioner of HPD effective March 3, 1997. He most recently served as Vice President of Government and Community Relations at the Mount Sinai Medical Center. Prior to that, Mr. Roberts was an Assistant to the Mayor of the City from 1994 to 1995. From January 1993 to 1994, Mr. Roberts served as Vice President of The Edison Project, a private enterprise which manages public schools. Mr. Roberts started his career in 1989 as an associate at the law firm of Davis Polk & Wardwell. Mr. Roberts is a graduate of Yale University and Yale Law School and is a member of the New York Bar. He also serves as a trustee of the Brooklyn Children's Museum.

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

ROBERT M. HARDING, Member ex-officio. Mr. Harding was appointed Director of the Office of Management and Budget in July 1998. Prior to that, Mr. Harding served as the Director of State Legislative Affairs for The City of New York. He is admitted to the New York State Bar and the United States District Court for the Southern, Eastern and Northern Districts of New York. He attended Brooklyn Law School after graduating from the State University of New York at Plattsburgh. From 1987 to 1997 he served as an Adjunct Clinical Professor of Law at the Albany Law School.

JOSEPH J. LHOTA, Member ex-officio. Mr. Lhota was appointed Acting Commissioner of Finance effective February 1999. He also serves as the City's Deputy Mayor of Operations. Mr. Lhota has previously served the City as its Director of the Office of Management and Budget, and before that as its Commissioner of Finance. Prior to that, Mr. Lhota served as Chief of Staff to the Deputy Mayor for Finance and Economic Development. Prior to entering government service, Mr. Lhota was an investment banker with CS First Boston Corporation and PaineWebber Incorporated. He received his Bachelor of Science Degree from Georgetown University and an MBA from Harvard Business School.

HARRY E. GOULD, JR., Member, term expires December 31, 1999. 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 member of the Board of Directors of Domtar, Inc., a Canadian manufacturer of paper products and construction materials. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was a member and served on the Executive Committee of the President's Export Council, and was Chairman of the Export Expansion Subcommittee from 1977-1980. He is a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee. He is a member of the Board of Directors of the USO of Metropolitan New York, United Cerebral Palsy Research and Educational Foundation and the National Multiple Sclerosis Society of New York and is a Trustee of the Riverdale Country School. He is also a member of the Board of Trustees of the American Management Association.

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 January 1, 2001. Mr. Kelly is Managing Director of Ambac Capital Corporation and oversees the financial derivatives and reinvestments businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his Bachelor of Arts degree from Georgetown University and J.D. from Fordham University Law School.

Principal Officers

RICHARD T. ROBERTS, Chairperson.

BILL GREEN, Vice-Chairperson.

RUSSELL A. HARDING, President. Mr. Harding was appointed President of the Corporation on June 23, 1998. During the two years prior to his nomination, he served as Executive Vice President at the New York City Economic Development Corporation. Prior to that, Mr. Harding served the City as the Coordinator of Intergovernmental Affairs for the Office of the Mayor. While at the Mayor's Office, he also established and oversaw the Office of Grants Administration. From 1987 through 1993, he worked both as an aide to U.S. Senator Alfonse D'Amato and a communications executive in the private sector. Mr. Harding also serves as President of the New York City Residential Mortgage Insurance Corporation.

CHARLES A. BRASS, First Senior Vice President for Development and Policy. Mr. Brass was appointed First Senior Vice President for Development and Policy on August 6, 1998. Prior to his most recent appointment, he served as Vice President for Development from 1991 to 1998. He has also held other positions in the Development Department since he joined the Corporation in 1984. From 1981 to 1984, Mr. Brass worked for HPD's Development and Policy Departments. He also serves on the Board of Directors of the Association of Local Housing Finance Agencies.

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

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

JOY F. WILLIG, Deputy General Counsel and Acting 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 Acting Secretary in November 1998. Prior to joining the Corporation, she was Associate Counsel at the New York State Housing Finance Agency, was associated with a law firm in New York City and clerked in the United States District Court, Southern District of New York.

Purposes and Powers of the Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in the City of New York for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans to specified private entities; to purchase loans from lending institutions; to make loans insured or coinsured by the federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multifamily housing accommodations; to acquire and to contract to acquire any federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale

of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the 1999 Bonds, notes, or other obligations are outstanding.

The sale of the 1999 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 1999 Bonds is subject to the review of the New York State Financial Control Board for The City of New York.

For a description of the other activities of the Corporation, see "Appendix B — Other Activities of the Corporation."

THE MORTGAGE LOAN

The Resolution authorizes the issuance by the Corporation of the 1999 Bonds to provide moneys to finance the Mortgage Loan for the purpose of refinancing the Project. 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 1999 Bonds. The Mortgage Loan is to be evidenced by the Mortgage Note, which will be (i) in an aggregate principal amount equal to the outstanding principal amount of the 1999 Bonds, (ii) executed by the Mortgagor in favor of the Corporation and (iii) secured by the Mortgage on the Project. Pursuant to the terms of 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. The Trustee will assign the Mortgage Rights assigned to it to Fannie Mae but will retain the right to receive payments of principal and interest on the Mortgage Loan sufficient to pay the principal and interest on the 1999 Bonds subject to Fannie Mae's right to direct the Trustee to assign its entire interest in the Mortgage Loan to Fannie Mae.

The ability of the Mortgagor to pay its Mortgage Loan 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 the Project, including without limitation, debt service on the Mortgage Loan, operating expenses, servicing fees, fees due to Fannie Mae, Remarketing Agent fees, Trustee and Tender Agent fees and fees owed to the Corporation. The ability of the Mortgagor to generate sufficient revenues may be affected by a variety of factors, including but not limited to maintenance of a certain level of occupancy, the level of rents prevailing in the market, 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 at least 55 units in the Project to persons or families of low or moderate income, and the amount of rent that may be charged for such units is subject to limitations. 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.

Failure of the Mortgagor to make payments when due under the Mortgage Loan 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, result in a mandatory tender or redemption of all or a portion of the 1999 Bonds. See "DESCRIPTION OF THE 1999 BONDS — Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 1999 Bonds Upon an Event of Termination" and "— Mandatory Redemption Following Event of Termination" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND 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 any of their respective assets, other than the Project and its rents, profits and proceeds.

THE PROJECT AND THE MORTGAGOR

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

The Project

The 1999 Bonds are being issued to provide a Mortgage Loan to 92nd Realty LLC (the "Mortgagor") for the purpose of refinancing a multi-family rental housing facility located at 1775 York Avenue in the Borough of Manhattan in New York City (the "Project") which was originally financed with bonds of the Corporation. The Project contains a total of 272 residential units (170 one-bedroom units and 102 two-bedroom units) in a 36-story structure. At least 55 units are required under the Code to be rented to persons and families of low and moderate income at rents which are materially below market. (See "TAX MATTERS" herein for a description of the income limits and rent restrictions applicable to the foregoing units in the Project under the Code.) In addition to residential apartments, the Project includes related facilities, including commercial space, parking, a health club and open space. The Mortgagor obtained a 20-year phased exemption from real estate taxes for the Project in accordance with Section 421-a of the Real Property Tax Law of the State of New York, which exemption currently requires that all residential units be subject to rent regulation for twenty years in accordance with the New York City Rent Stabilization Code.

Construction of the Project was commenced in January, 1994 and was completed in July 1995. In calendar years 1996, 1997 and 1998, the average occupancy of the Project was approximately 97.7%, 97.0% and 97.2%, respectively. As of January 1, 1999, over 97.8% of the apartments at the Project were occupied. Since August 28, 1995, the date on which full occupancy was first achieved for the Project, the operating income from the Project has been sufficient to pay the operating expenses of the Project and debt service on the bonds issued to finance the Project. No assurance can be given, however, that the Project will continue to generate sufficient revenues to pay debt service and operating expenses of the Project. The ability of the Mortgagor to pay its Mortgage Loan is dependent on the revenues derived from the Project. The ability of the Mortgagor to continue to generate sufficient revenues may be affected by a variety of factors, including but not limited to maintenance of a sufficient level of occupancy, the level of rents prevailing in the market, 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. 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. See "The Mortgage Loan."

The Mortgagor

92nd Realty LLC is a Delaware limited liability company organized on March 4, 1999, for the purpose of acquiring the Project from the prior owner of the Project, 92nd Realty Co. (the "Prior Mortgagor"), in connection with an asset restructuring. One hundred percent of the interests in the Prior Mortgagor were directly or indirectly owned by Leonard Litwin. The members of the Mortgagor are Leonard Litwin (who is the sole manager), Crescent Holding Corp. ("Crescent") and New Hyde Park Realty L.P. ("New Hyde Park"). One hundred percent of the stock of Crescent is owned by Mr. Litwin, and Mr. Litwin controls New Hyde Park by virtue of his control over, and 100% beneficial ownership of, its sole general partner.

Mr. Litwin has been an active developer of residential and mixed-use real estate in Manhattan for over 35 years. Glenwood Management Corp., an entity solely owned by Mr. Litwin, manages all of the apartment buildings in which Mr. Litwin has an ownership interest, including the Project.

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.* It is the largest investor in home mortgage loans in the United States with a net portfolio of $441 billion of mortgage loans as of March 31, 1999. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and was transformed into 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. Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS. Five of the eighteen members of Fannie Mae's Board of Directors are appointed by the President of the United States, and the other thirteen are elected by the holders of Fannie Mae's common stock.

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.

As of March 31, 1999, Fannie Mae's stockholders' equity was $16.1 billion. Information on Fannie Mae and its financial condition is contained in Fannie Mae's Information Statement dated March 31, 1999, and Supplement thereto dated May 14, 1999 (and any later update of such Information Statement). Copies of the most recent Information Statement, as well as any Supplements to the Information Statement and Fannie Mae's most recent annual and quarterly reports to stockholders and proxy statement, are available without charge from the Office of Investor Relations, Fannie Mae, 3900 Wisconsin Avenue, NW, Washington, DC 20016 (telephone: (202) 752-7115).

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the 1999 Bonds for any investor, the feasibility of performance of any project, the sufficiency of amounts payable under the Collateral Agreement to pay principal and interest on the 1999 Bonds in accordance with the Resolution, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role is limited to discharging its obligations under the Collateral Agreement.

DESCRIPTION OF THE 1999 BONDS

General

The 1999 Bonds are to be dated and will mature as set forth on the cover page of this Official Statement. The 1999 Bonds will bear interest from the date of their delivery until payment of the principal thereof is made or provided for in accordance with the provisions of the Resolution, whether at maturity on June 15, 2029, upon redemption or otherwise. At no time shall the interest rate on the 1999 Bonds exceed the maximum rate of ten percent (10%) or such higher rate, which shall not exceed fifteen percent (15%), as may be established in accordance with the provisions of the Resolution (the "Maximum Rate"). The 1999 Bonds will bear interest from their date of issue to and including June 22, 1999 at the rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 1999 Bonds. Thereafter, the 1999 Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. The method of determining the interest rate on the 1999 Bonds may be changed to a different method as provided in the Resolution. This Official Statement in general describes the 1999 Bonds only while the 1999 Bonds bear interest at a Weekly Rate.

The 1999 Bonds shall be issued solely in fully registered form, without coupons, issuable during a Weekly Rate Period in the denomination of $100,000 or any whole multiple of $100,000.

Interest on the 1999 Bonds shall be payable on a monthly basis on the fifteenth day of each month commencing on the fifteenth day of July, 1999, on any Change Date and on the maturity date of the 1999 Bonds. Interest on the 1999 Bonds shall be computed on the basis of a 365 or 366-day year, for the actual number of days elapsed. If the date for payment of interest on or principal or Redemption Price of the 1999 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.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 1999 Bonds. The 1999 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 1999 Bond certificate will be issued for the 1999 Bonds in the aggregate principal amount of the 1999 Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 1999 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 1999 Bonds on DTC's records. The ownership interest of each actual purchaser of each 1999 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1999 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1999 Bonds, except in the event that use of the book-entry system for the 1999 Bonds is discontinued.

To facilitate subsequent transfers, all 1999 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1999 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1999 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1999 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 1999 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 1999 Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1999 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1999 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1999 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 DTC is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 1999 Bonds purchased or tendered through its Participant, to the Tender Agent, and shall effect delivery of such 1999 Bonds by causing the Direct Participant to transfer the Participant's interest in the 1999 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of 1999 Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the 1999 Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the 1999 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, 1999 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, 1999 Bond certificates will be printed and delivered.

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries, and settlement of trades within DTC, continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

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 takes responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the DTC Participants.

So long as Cede & Co. is the registered owner of the 1999 Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 1999 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 1999 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 1999 Bond is held in book-entry form, such 1999 Bond need not be delivered in connection with any optional or mandatory tender of 1999 Bonds described under "DESCRIPTION OF THE 1999 BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 1999 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and notwithstanding the description of optional and mandatory tender of 1999 Bonds contained under "DESCRIPTION OF THE 1999 BONDS," transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 1999 BONDS UNDER THE RESOLUTION; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 1999 BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 1999 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 1999 BONDS; OR (vi) ANY OTHER MATTER.

Interest Rate Periods

Weekly Rate Period. During the period from the date of initial issuance and delivery of the 1999 Bonds to the earlier of the first Interest Method Change Date or the final maturity or redemption in whole of the 1999 Bonds, and during any subsequent period from and after any date designated by the Mortgagor, with the prior written consent of the Credit Facility Provider, for a change of the interest rate on the 1999 Bonds to the Weekly Rate until the earlier of the next succeeding Interest Method Change Date or the final maturity or redemption in whole of the 1999 Bonds, the 1999 Bonds shall bear interest at the Weekly Rate determined in accordance with the Resolution.

The Weekly Rate shall be the lowest interest rate, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 1999 Bonds on the Weekly Effective Rate Date being one hundred percent (100%) of the principal amount thereof, such interest rate to be determined as follows. The Remarketing Agent shall determine the Weekly Rate not later than 4:00 p.m., New York City time, on the Business Day preceding the Weekly Effective Rate Date for each Weekly Rate Term; provided, however, that the Weekly Rate from the date of initial issuance and delivery of the 1999 Bonds to and including June 22, 1999 shall be the rate determined by the Corporation and delivered in writing to the Trustee on the date of such issuance and delivery. The Remarketing Agent shall immediately give notice of the determination of any Weekly Rate to the Corporation, the Mortgagor, the Trustee, the Tender Agent, the Credit Facility Provider and the Servicer.

On the Business Day immediately following (i) the issuance and delivery of the 1999 Bonds and (ii) the establishment of any subsequent Weekly Rate Period, the Trustee shall deliver or mail by first-class mail, postage prepaid, to the owner of each 1999 Bond at the address shown on the registration books of the Corporation, a notice stating the Weekly Rate to be borne by the 1999 Bonds and that from and after the Weekly Effective Rate Date the

1999 Bonds will bear interest at the Weekly Rate for the duration of the applicable Weekly Rate Period. Such notice shall further specify the name, address and telephone number of the person or persons from whom information with respect to the Weekly Rate for each succeeding Weekly Rate Term may be obtained. Unless an Interest Method Change Date occurs, a new Weekly Rate Term shall automatically commence on the day after the termination of the current Weekly Rate Term.

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

Interest Rate Changes. No change in the method of determining the interest rate on the 1999 Bonds shall be made unless the Trustee has received, at least 30 days prior to the Change Date, (1) a Certificate of an Authorized Officer of the Mortgagor specifying (i) the date which is to be the Interest Method Change Date and (ii) the method of determining the interest rate which shall take effect on such date, (2) an opinion of Bond Counsel addressed to the Corporation, the Trustee and the Credit Facility Provider to the effect that the proposed change in the method of determining the interest rate on the 1999 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 1999 Bonds from gross income for Federal income tax purposes, and (3)(i) permission from Bond Counsel, the opinion of which as to the exclusion from gross income for Federal income tax purposes of interest on the 1999 Bonds is on file with the Trustee, to deliver such opinion in connection with the 1999 Bonds, or (ii) an opinion from Bond Counsel addressed to the Corporation, the Trustee and the Credit Facility Provider as described in the Resolution to the effect that the interest on the 1999 Bonds is not included in gross income for Federal income tax purposes.

If the Credit Facility Provider notifies the Corporation and the Trustee that certain events have occurred and are continuing under the Reimbursement Agreement, then the Credit Facility Provider may exercise all rights of the Mortgagor with respect to an Interest Method Change Date and the Mortgagor may not exercise such rights unless and until the Trustee and the Corporation are notified that such events of default are cured or waived or the Credit Facility Provider otherwise consents.

Purchase of the 1999 Bonds on Demand of Owner

While the 1999 Bonds bear interest at the Weekly Rate, each owner of a 1999 Bond may, by delivery of a written notice of tender to the Principal Offices of the Tender Agent at 114 West 47th Street, New York, New York 10036, Attention: Corporate Trust Department (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at 85 Broad Street, 24th Floor, New York, New York 10004 (or such other address as may be established by the Remarketing Agent from time to time), not later than 4:00 p.m., New York City time, on any Business Day not less than seven calendar days before the particular Business Day chosen as the purchase date, demand payment of the Purchase Price on and as of such purchase date of all or a portion of such 1999 Bond in any denomination authorized by the Resolution; provided, however, that no portion of a 1999 Bond shall be purchased unless any remaining portion of such 1999 Bond is in a denomination authorized by the Resolution. Each such notice of tender shall be irrevocable and effective upon receipt and shall:

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

(ii) state (A) the aggregate principal amount of the 1999 Bonds to be purchased and the numbers of the 1999 Bonds to be purchased, and (B) the date on which such 1999 Bonds are to be purchased, which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of delivery of such notice and which date will be prior to any Change Date.

If any 1999 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 1999 Bond demanding purchase thereof shall deliver to the Tender Agent a due bill, payable to bearer, for interest due on such Interest Payment Date.

Any 1999 Bonds for which a demand for purchase has been made shall be delivered to the Tender Agent at or prior to 10:00 a.m., New York City time, on the date designated for purchase, with an appropriate endorsement for transfer or accompanied by a bond power endorsed in blank.

Any 1999 Bonds not so delivered to the Tender Agent ("Undelivered 1999 Bonds") on or prior to the purchase date for which there has been irrevocably deposited in trust with the Trustee or the Tender Agent an amount of moneys sufficient to pay the Purchase Price of such Undelivered 1999 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 1999 BONDS TO DELIVER ITS 1999 BONDS ON OR PRIOR TO THE PURCHASE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE PURCHASE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 1999 BONDS, AND ANY UNDELIVERED 1999 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Notwithstanding the above, in the event that any 1999 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 1999 Bond to the Tender Agent but such 1999 Bond shall be deemed to have been delivered to the Tender Agent and remarketed and redelivered to such owner.

Mandatory Purchase of 1999 Bonds on Interest Method Change Date

The 1999 Bonds shall be subject to mandatory tender for purchase on any Interest Method Change Date at the Purchase Price. The Trustee shall deliver, or mail by first class mail to the Remarketing Agent and to the owner of each 1999 Bond to which such notice relates, at its address shown on the registration books of the Corporation, a notice not later than the fifteenth (15th) day prior to the Interest Method Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Interest Method Change Date and reason therefor, that all owners of 1999 Bonds shall be deemed to have tendered their 1999 Bonds for purchase on the Interest Method Change Date, and the Purchase Price for such 1999 Bonds.

Owners of 1999 Bonds shall be required to tender their 1999 Bonds to the Tender Agent for purchase at the Purchase Price on the Interest Method Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 1999 Bonds for which there has been irrevocably deposited in trust with the Trustee or Tender Agent an amount of moneys sufficient to pay the Purchase Price of such Undelivered 1999 Bonds shall be deemed to have been purchased at the Purchase Price on the Interest Method Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 1999 BONDS TO DELIVER ITS 1999 BONDS ON OR PRIOR TO THE INTEREST METHOD CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE INTEREST METHOD CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 1999 BONDS, AND ANY UNDELIVERED 1999 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Mandatory Purchase of 1999 Bonds Upon Replacement, Termination or Expiration of Credit Facility

On any Facility Change Date, the 1999 Bonds are subject to mandatory tender for purchase at the Purchase Price. In connection with a purchase on a Facility Change Date, the Trustee shall deliver, or mail by first class mail, a notice not later than the fifteenth (15th) day prior to the Facility Change Date to the Remarketing Agent and to the owner of each 1999 Bond to which such notice relates at its address shown on the registration books of the Corporation. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Facility Change Date and reason

therefor, that all owners of 1999 Bonds shall be deemed to have tendered their 1999 Bonds for purchase on the Facility Change Date, and the Purchase Price for such 1999 Bonds.

Owners of 1999 Bonds shall be required to tender their 1999 Bonds to the Tender Agent for purchase at the Purchase Price on the Facility Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 1999 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 1999 Bonds shall be deemed to have been purchased at the Purchase Price on the Facility Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 1999 BONDS TO DELIVER ITS 1999 BONDS ON OR PRIOR TO THE FACILITY CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE FACILITY CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 1999 BONDS, AND ANY UNDELIVERED 1999 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Mortgagor's Right to Cause a Mandatory Tender for Purchase of 1999 Bonds Upon a Notice of Prepayment of the Mortgage Loan in Full

Pursuant to the Resolution, upon notice to the Trustee from the Corporation of the Mortgagor's election to prepay the Mortgage Loan in full (said notice from the Corporation to the Trustee being defined in the Resolution as a "Notice of Prepayment of the Mortgage Loan in Full"), the Corporation shall specify a Change Date on which all the 1999 Bonds shall be subject to mandatory tender for purchase, which Change Date shall be the date specified by the Mortgagor for such prepayment of the Mortgage Loan in full.

Following receipt by the Trustee of such Notice of Prepayment of the Mortgage Loan in Full, the Trustee shall deliver, or mail by first-class mail to the Remarketing Agent and to the owner of each 1999 Bond, at its address shown on the registration books of the Corporation, a notice not less than fifteen (15) days prior to such Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice.

Any notice of mandatory tender relating to a Notice of Prepayment of the Mortgage Loan in Full shall set forth, in substance, the Change Date and reason therefor, that all owners of 1999 Bonds shall be deemed to have tendered their 1999 Bonds for purchase on the Change Date and the Purchase Price for the 1999 Bonds. Owners of 1999 Bonds shall be required to tender their 1999 Bonds to the Tender Agent for purchase at the Purchase Price on the Change Date with an appropriate endorsement for transfer to the Tender Agent, or accompanied by a bond power endorsed in blank. Any Undelivered 1999 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 1999 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF 1999 BONDS TO DELIVER ITS 1999 BONDS ON OR PRIOR TO THE CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 1999 BONDS, AND ANY UNDELIVERED 1999 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Upon such prepayment of the Mortgage Loan in full and payment to the Credit Facility Provider (other than from the proceeds of the remarketing of the 1999 Bonds) of all amounts due under the Reimbursement Agreement, all 1999 Bonds shall be deemed paid and shall be delivered to the Trustee for cancellation.

Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 1999 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 Change Date on which all or a portion of the 1999 Bonds shall be subject to mandatory tender for purchase, which Change Date shall not be later than eight (8) days following receipt by the Trustee of the direction to purchase such 1999 Bonds. If only a portion of the 1999 Bonds are to be subject to mandatory tender for purchase, the particular 1999 Bonds to be tendered shall be selected by the Trustee by lot, using such method as it shall determine in its sole discretion except that the Trustee shall not select any 1999 Bond for tender which would result in any remaining 1999 Bond not being in an authorized denomination as provided in the Resolution. Upon receipt of such written notice from the Credit Facility Provider, the Trustee shall immediately deliver to the Remarketing Agent and to the owner of each 1999 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 COLLATERAL AGREEMENT AND THE REIMBURSEMENT AGREEMENT — Reimbursement Agreement" herein.

Any notice of mandatory tender relating to an Event of Termination specified by the Credit Facility Provider shall set forth, in substance, the Change Date and reason therefor, that all owners of affected 1999 Bonds shall be deemed to have tendered their 1999 Bonds for purchase on the Change Date and the Purchase Price for the 1999 Bonds. Owners of affected 1999 Bonds shall be required to tender their 1999 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 1999 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 1999 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 1999 BONDS TO DELIVER ITS 1999 BONDS ON OR PRIOR TO THE CHANGE DATE, SAID OWNER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE CHANGE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED 1999 BOND, AND ANY UNDELIVERED 1999 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Provisions Affecting 1999 Bonds if a Change of Method of Determining the Interest Rate Cannot be Effected

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

(i) the new interest method mode shall not take effect;

(ii) the 1999 Bonds shall be subject to mandatory tender on the proposed Interest Method Change Date and the holders of 1999 Bonds shall not have the right to retain their 1999 Bonds; and

(iii) the interest rate shall remain in the Weekly Rate.

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

The Resolution provides that it is subject to amendment and supplement by a Supplemental Resolution, from time to time, to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 1999 Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, which Supplemental Resolution may be adopted and become effective (i) upon filing of a copy thereof certified by an Authorized Officer of the Corporation with the Trustee, (ii) upon filing with the Trustee and the Corporation of a consent to such Supplemental Resolution executed by the Trustee, and (iii) if such Supplemental Resolution is to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 1999 Bonds in connection with the Mandatory

Purchase Provision or Demand Purchase Option, after such period of time as the Trustee and the Corporation deem appropriate following notice to the 1999 Bond owners. A copy of any such Supplemental Resolution shall be provided to the owners of the 1999 Bonds.

Delivery of 1999 Bonds in Book-Entry Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any 1999 Bond is held in book-entry form, such 1999 Bond need not be delivered in connection with any optional or mandatory tender of 1999 Bonds described under "DESCRIPTION OF THE 1999 BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 1999 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See "DESCRIPTION OF THE 1999 BONDS — Book-Entry-Only System" herein.

Redemption of 1999 Bonds - Mandatory

Mandatory Redemption from Certain Recoveries of Principal. The 1999 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 advance payment in full of all amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor, with moneys other than amounts transferred from the Principal Reserve Fund), at a Redemption Price equal to 100% of the principal amount of the 1999 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. Recoveries of Principal include amounts transferred from the Principal Reserve Fund at the option of the Mortgagor as more fully described under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Principal Reserve Fund."

Mandatory Redemption on Bankruptcy of Credit Facility Provider. The 1999 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 1999 Bonds to be redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption Following an Event of Default. The 1999 Bonds are subject to mandatory redemption, in whole, without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Default under the Resolution at a Redemption Price equal to 100% of the principal amount of the 1999 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 1999 Bonds are subject to mandatory redemption, in whole or in part, without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Termination under the Resolution at a Redemption Price equal to 100% of the principal amount of the 1999 Bonds to be redeemed, plus accrued interest to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

Mandatory Redemption from Certain Transfers from Principal Reserve Fund. The 1999 Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date to the extent of amounts in excess of the Principal Reserve Amount transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding Interest Payment Date (see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Principal Reserve Fund"). Each such redemption will be at a Redemption Price equal to 100% of the principal amount of such 1999 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date.

Redemption of 1999 Bonds — Optional

The 1999 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, on any Interest Payment Date, at a Redemption Price equal to 100% of the principal amount of the 1999 Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Effect of Loss of Tax Exemption

The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the 1999 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 1999 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 1999 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 1999 Bonds. See "DESCRIPTION OF THE 1999 BONDS - Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 1999 Bonds Upon an Event of Termination" and "Mandatory Redemption Following an Event of Termination" herein.*

Selection of 1999 Bonds to be Redeemed

If less than all the 1999 Bonds are to be redeemed, the Trustee may select the 1999 Bonds to be redeemed by lot, using such method as it shall determine. Notwithstanding the foregoing, for so long as the Credit Agreement shall be in full force and effect, (i) the first 1999 Bonds to be redeemed shall be Purchased Bonds and (ii) no 1999 Bond shall be selected for redemption if the portion of such 1999 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 1999 Bonds, or is required pursuant to the Resolution to redeem the 1999 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 1999 Bonds. Such notice is to specify, among other things, the 1999 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 1999 Bonds or portions of 1999 Bonds which are to be redeemed, at their last addresses appearing upon the registry book not less than fifteen (15) days before the Redemption Date during a Weekly Rate Period. The foregoing provisions of this paragraph do not apply in the case of any redemption of 1999 Bonds of which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on the 1999 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 1999 Bonds on such date.

Corporation's Right to Purchase

The Corporation retains the right to purchase the 1999 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 1999 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 1999 Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount equal to the principal amount of 1999 Bonds, which amount will be used to refinance the Project. The proceeds of the Mortgage Loan are to be applied to pay the principal amount of the outstanding bonds of the Corporation issued to finance the Project, and thereby refinance the Project.

In addition, the Mortgagor will pay, with other funds of the Mortgagor, certain other costs relating to the Project including the Underwriter's fee in an amount equal to $128,250.

SECURITY FOR THE BONDS

Pledge of the Resolution

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

The Bonds are special obligations of the Corporation payable from the Revenues and amounts on deposit in the Accounts (other than amounts deposited in or to be deposited in the Rebate Fund) as described herein. In addition, the 1999 Bonds, as and to the extent provided in the Credit Facility, are payable from amounts obtained under the Collateral Agreement or an Alternate Security. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of the Revenues, which consists of all payments received by the Corporation from or on account of the Mortgage Loan, including scheduled, delinquent and advance payments of principal and interest, proceeds from the sale, assignment, or other disposition of the Mortgage Loan in the event of a default thereon, proceeds of any insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under the Resolution, including earnings and gains received by the Trustee pursuant to any investment agreement. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charges or settlement fees of the Servicer of the Mortgage Loan or the Credit Facility Provider on account of the Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of 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. The Trustee will assign the Mortgage Rights to Fannie Mae but will retain the right to receive payments of principal and interest on the Mortgage Loan sufficient to pay the principal and interest on the 1999 Bonds. The Trustee's right to payments of principal and interest will secure the owners of the 1999 Bonds and Fannie Mae, subject to Fannie Mae's rights under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Fannie Mae in certain events.

Interest Reserve Requirement

Payments on the Mortgage Note are due from the Mortgagor on the first of each month. The portion of such payment representing interest on the Mortgage Note that is passed through to the Trustee is required to equal interest in arrears for the period from the first day of the preceding month to, but not including, such payment date at the rates of interest applicable to the 1999 Bonds during such period. Such amount will be applied to make the interest payment on the 1999 Bonds on the next Interest Payment Date for the 1999 Bonds. The Interest Payment Dates for the 1999 Bonds are the fifteenth day of each month and include interest for the period from the fifteenth day of the preceding month to, but not including, such Interest Payment Date, at the rates of interest applicable to the 1999 Bonds during such period. Because the interest accrual period on the Mortgage Note is different than the interest accrual period on the 1999 Bonds, it is possible that the payment of the interest on the Mortgage Note will not equal the amount of interest payable on the 1999 Bonds on the following Interest Payment Date. Therefore, the Mortgagor is required to maintain an amount on deposit in the Revenue Account equal to the Interest Reserve Requirement, which amount will be applied to pay interest on the 1999 Bonds to the extent that the payment on the Mortgage Note is insufficient therefor. The Interest Reserve Requirement is computed monthly by Fannie Mae, or by the Servicer on behalf of Fannie Mae, in an amount equal to fifteen days of interest on the Outstanding principal amount of the 1999 Bonds, initially at an assumed interest rate of 5.6% per annum, and thereafter at an assumed interest rate which is not less than 5.6% per annum nor more than the Maximum Rate. The assumed interest rate at which the Interest Reserve Requirement is calculated, and therefore the amount of the Interest Reserve Requirement, is determined by Fannie Mae, or the Servicer on behalf of Fannie Mae, and may be increased or decreased at the direction of Fannie Mae, or the Servicer of behalf of Fannie Mae, without the consent of the Corporation, the Trustee or the Bondholders. The funding of the Interest Reserve Requirement at the initial level is a condition to the issuance of the 1999 Bonds. In the event the Interest Reserve Requirement is decreased below its then current level, any excess will be applied as set forth in the Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Revenue Account." In the event that the Interest Reserve Requirement is increased above its then current level, the Mortgagor will be required to include with its Mortgage Note payment an amount equal to the increase in the Interest Reserve Requirement.

In the event that, as of any Weekly Rate Determination Date immediately prior to any Interest Payment Date there is an Interest Reserve Deficiency, Fannie Mae is required under the Collateral Agreement to pay to the Trustee an amount equal to such deficiency to the extent not made up from amounts transferred from other Accounts held under the Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND THE REIMBURSEMENT AGREEMENT — The Collateral Agreement — Application of Payments on Collateral."

Collateral Agreement

In addition to the other security provided under the Resolution, Required Mortgage Payments to be applied to the payment of the principal of and interest on the 1999 Bonds will be secured pursuant to the Collateral Agreement by a pledge and security interest granted by Fannie Mae to the Trustee in the Pledged Collateral. The Collateral Agreement will remain in effect through the maturity date of the 1999 Bonds, unless terminated earlier in accordance with its terms as described herein. Fannie Mae's obligation under the Collateral Agreement with respect to the Mortgage Loan is limited to making payments to the Trustee to the extent that the Trustee does not receive a Required Mortgage Payment under the Mortgage Note, as described in the Collateral Agreement and does not extend to any other payment due under the Mortgage Note, including without limitation payments for deposit into the Principal Reserve Fund. In addition, Fannie Mae is required to make payments to the Trustee under the Collateral Agreement as described above under "Interest Reserve Requirement" and upon the occurrence of certain events (including upon a redemption following an acceleration of the 1999 Bonds following a default under the Mortgage Documents). Furthermore, if, on any Purchase Date, the Remarketing Agent is unable to remarket Tendered Bonds tendered for purchase on that Purchase Date and other funds on deposit with the Trustee and available to pay the Purchase Price are insufficient, Fannie Mae will be obligated under the Collateral Agreement to redeem all or a portion of the Pledged Collateral to pay such Purchase Price to the Trustee. Fannie Mae's obligation to (a) make payments under the Collateral Agreement is absolute, unconditional and irrevocable and will not be dependent upon whether the cash flow on the Pledged Collateral (whether or not Collateral is identified to the Trustee pursuant to the Collateral Agreement) is sufficient to make the payments required by the Collateral Agreement and (b) redeem Pledged Collateral from the Trustee pursuant to the Collateral Agreement is absolute,

unconditional and irrevocable and will not be dependent on whether the unpaid principal balance or the fair market value of the Pledged Collateral to be redeemed is less than the amount of Fannie Mae's payment obligations under the Collateral Agreement. Information regarding the Collateral Agreement is contained herein under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND THE REIMBURSEMENT AGREEMENT — The Collateral Agreement" and further information regarding Fannie Mae is contained herein under the caption "FANNIE MAE."

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 1999 BONDS ARE SOLELY AS PROVIDED IN THE COLLATERAL AGREEMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE COLLATERAL AGREEMENT ARE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY-CHARTERED, STOCKHOLDER-OWNED CORPORATION, AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. FANNIE MAE HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 1999 BONDS. THE 1999 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR OF ANY AGENCY THEREOF, OR OF FANNIE MAE, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FANNIE MAE.

Alternate Security

The Collateral Agreement may be replaced with various other forms of credit enhancement (each an "Alternate Security" except as described below; the Collateral Agreement or Alternate Security being herein referred to as the "Credit Facility") or upon conversion of the 1999 Bonds to bear interest at a rate fixed to the maturity thereof, the Corporation may elect to provide no Credit Facility.

The Corporation may not exercise its right to make provision for or cause the replacement of any Credit Facility, unless the Corporation has provided the Trustee with (i) certain opinions as to, among other things, the effect of such replacement on the tax status of the 1999 Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or the national rating agency or agencies then rating the 1999 Bonds to the effect that such Alternate Security will provide the 1999 Bonds with an investment grade rating; (iii) an opinion relating to the transaction's compliance with certain requirements of the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended; and (iv) moneys sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility.

Upon replacement of the Collateral Agreement except as described below, the 1999 Bonds are subject to mandatory tender as described above under the caption "DESCRIPTION OF THE 1999 BONDS — Mandatory Purchase of 1999 Bonds Upon Replacement, Termination or Expiration of Credit Facility."

Fannie Mae may provide any other form of credit or liquidity facility (or combination thereof) in substitution for the Collateral Agreement. Certain of such substitute facilities will not be considered an "Alternate Security" and such substitution will not result in a "Facility Change Date" or mandatory tender of the 1999 Bonds, so long as, among other things, each Rating Agency confirms that such substitution will not adversely affect such Rating Agency's rating on the 1999 Bonds and the opinions described above are delivered. Such substitute facility provided by Fannie Mae will continue to constitute the "Initial Credit Facility" under the Resolution.

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Resolution and is to be held by the Trustee. Pursuant to the Resolution, there is to be deposited into the Principal Reserve Fund all of the monthly payments made by the Mortgagor in accordance with the Principal Reserve Schedule attached to the Mortgage Note, as such Schedule may be amended. *At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (unless and to the extent such amounts, in the judgment of the Corporation, are needed to be transferred to the Rebate Fund pursuant to the Resolution), (ii) no longer require deposits to the Principal Reserve Fund and/or (iii) consent to a change in the Principal Reserve Schedule. The consent of the Bondholders, the*

Trustee or the Corporation is not required for such actions. Any amounts so released shall no longer secure the 1999 Bonds.

Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund is, if the amount in the Principal Reserve Fund is less than the Principal Reserve Amount, to be retained therein, or, if there is no such deficiency, is to be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which is to be retained in the Principal Reserve Fund.

In addition, remarketing proceeds will be deposited into the Principal Reserve Fund in the event that, at the written direction of the Credit Facility Provider, amounts are withdrawn from the Principal Reserve Fund to purchase 1999 Bonds on any Tender Date and such 1999 Bonds are subsequently remarketed.

Amounts in the Principal Reserve Fund are to be used, at the written direction of the Credit Facility Provider:

(1) to pay interest on and principal of the 1999 Bonds in the event there is an insufficient amount on deposit in the Revenue Account or the Redemption Account, as applicable, to pay interest due on and principal of the 1999 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date;

(2) to pay the Purchase Price of tendered 1999 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose; provided that if the Trustee shall obtain moneys pursuant to the Credit Facility to pay the Purchase Price of tendered 1999 Bonds, any amounts then or thereafter on deposit in the Principal Reserve Fund up to such amount shall at the written direction of the Credit Facility Provider be withdrawn from the Principal Reserve Fund by the Trustee and paid to the Credit Facility Provider to reimburse the Credit Facility Provider for moneys made available under the Credit Facility;

(3) to reimburse the Credit Facility Provider, upon the demand of the Credit Facility Provider, for any amounts paid by the Credit Facility Provider under the Credit Facility in order to make the payments referred to in subparagraphs (1) or (2) above;

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

(5) if a default has occurred and is continuing under the Reimbursement Agreement, or if the Mortgagor otherwise consents, to any other use approved in writing by the General Counsel of the Initial Credit Facility Provider or by an Authorized Officer of any other Credit Facility Provider.

After paying debt service on each Interest Payment Date and after making certain payments required by the Resolution, all amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of $100,000) are required to be transferred to the Redemption Account to be applied to the redemption of the 1999 Bonds on the next succeeding Interest Payment Date. See "DESCRIPTION OF THE 1999 BONDS—Redemption of 1999 Bonds—Mandatory—Mandatory Redemption from Certain Transfers from Principal Reserve Fund."

In addition, the Mortgagor is entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the redemption of the 1999 Bonds as directed by the Mortgagor. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan and be a Recovery of Principal. See "DESCRIPTION OF THE 1999 BONDS — Redemption of 1999 Bonds - Mandatory - Mandatory Redemption From Certain Recoveries of Principal." Also, under certain circumstances, the Credit Facility Provider can require that amounts on deposit in the Principal Reserve Fund be applied to the mandatory tender or mandatory redemption in whole or in part of the 1999 Bonds.

See "DESCRIPTION OF THE 1999 BONDS — Redemption of 1999 Bonds - Mandatory - Mandatory Redemption Following an Event of Termination," "DESCRIPTION OF THE 1999 BONDS" — Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 1999 Bonds Upon an Event of Termination" and "SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND THE REIMBURSEMENT AGREEMENT — Reimbursement Agreement."

PRF Letter of Credit. In lieu of making monthly deposits to the Principal Reserve Fund, the Mortgagor intends to meet its obligation to fund the Principal Reserve Fund by depositing a PRF Letter of Credit in the Principal Reserve Fund. When an additional amount is required to be deposited into the Principal Reserve Fund, the Mortgagor will either cause the amount of the existing PRF Letter of Credit to be increased by such amount, deliver an additional PRF Letter of Credit in such amount or deliver cash in such amount. Once the amount of the PRF Letter of Credit is equal to the Principal Reserve Amount, which is $11,400,000, all monthly deposits required to be made to the Principal Reserve Fund are to be in cash.

Each PRF Letter of Credit is required to be for a term of at least 364 days in an amount equal to the Required PRF LOC Amount during the term of such PRF Letter of Credit. Each PRF Letter of Credit is required to be renewable by amendment and to be renewed, extended or replaced (including replaced with cash) at least 30 days, but not more than 60 days, prior to its expiration. The Trustee is to draw the amount available under the PRF Letter of Credit if, ten (10) Business Days prior to the expiration of such PRF Letter of Credit, it has not been extended for at least 364 days in an amount equal to the Required PRF LOC Amount during the term of its extension, or a new PRF Letter of Credit has not been delivered to the Trustee, or an equivalent amount of cash has not been deposited in the Principal Reserve Fund or if the PRF Letter of Credit fails to meet the requirements of the Resolution. The proceeds of the draw under the PRF Letter of Credit may be used for any purpose for which moneys held under the Principal Reserve Fund may be used pursuant to the terms of the Resolution. Any change in the Principal Reserve Schedule or in the amount required to be on deposit in the Principal Reserve Fund could result in a reduction or release of the PRF Letter of Credit. The obligations of the Mortgagor to reimburse or make other payments to the provider of the PRF Letter of Credit are to be non-recourse to the Mortgagor, the manager of the Mortgagor and the Project. At the direction of the Mortgagor, the PRF Letter of Credit may be replaced by a new PRF Letter of Credit meeting the requirements of Fannie Mae and the Resolution or, except under certain circumstances, may be replaced by a cash deposit into the Principal Reserve Fund.

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

Additional Bonds

Additional Bonds, on parity with the 1999 Bonds then Outstanding, may be issued by the Corporation pursuant to the Resolution for any one or more of the following purposes: (i) financing increases in the Mortgage Loan, (ii) refunding Bonds, (iii) establishing reserves for such Additional Bonds, and (iv) paying the costs of issuance related to such Additional Bonds. For so long as the Credit Facility shall be in effect for the 1999 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 1999 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Parity Bonds" herein.

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

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

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

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

(d) with respect to the 1999 Bonds, the Initial Credit Facility, or if required with respect to any Additional Bonds, the Credit Facility; and

(e) with respect to the 1999 Bonds, an amount equal to the Interest Reserve Requirement, for deposit into the Revenue Account.

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 1999 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 1999 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 1999 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 1999 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 unpaid principal balance of the Mortgage Loan insuring a mortgage lien subject only to Permitted Encumbrances and any mortgage securing bonds previously issued by the Corporation for the Project 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 Initial 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.

Any other provision of the Resolution notwithstanding, amounts on deposit in the Remarketing Proceeds Purchase Account, or any other funds held by or at the direction of the Tender Agent pursuant to the Resolution pending application, shall (i) so long as the Initial Credit Facility is in effect, be held uninvested, and (ii) at all other times, as otherwise provided in the Resolution or the Remarketing Agreement, as the case may be.

Establishment of Accounts

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

(1) Bond Proceeds Account;

(2) Revenue Account (including the Credit Facility Payments Sub-Account therein);

(3) Redemption Account; and

(4) Principal Reserve Fund.

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

Bond Proceeds Account

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

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

Revenue Account

Subject to the provisions of the Assignment, the Corporation shall cause all Pledged Receipts, excluding all amounts to be deposited pursuant to the Resolution in the Principal Reserve Fund, to be deposited in the Revenue Account. There shall also be deposited in the Revenue Account any other amounts required to be deposited therein pursuant to the Resolution, any Supplemental Resolution, the Mortgage Documents and the Loan Agreement. Except as otherwise provided in the Resolution with respect to the Principal Reserve Fund, earnings on all Accounts established under the Resolution shall be deposited, as realized, in the Revenue Account, except for moneys required to be deposited in the Rebate Fund in accordance with the provisions of the Resolution and except for interest income representing a recovery of the premium and accrued interest, if any, included in the purchase price of any Investment Security, which shall be retained in the particular account for which the Investment Security was purchased. During the term of the Initial Credit Facility, the Trustee shall obtain moneys thereunder in accordance with the terms thereof, in a timely manner and in amounts sufficient (and as necessary, to the extent that amounts from sources specified in clauses 1 through 4 of the following paragraph are insufficient therefor) to pay the principal or Redemption Price of and interest on the Bonds covered by the Initial 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 Initial Credit Facility, the Trustee, at the direction of the Corporation, shall obtain moneys under the Initial 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 Initial Credit Facility, and shall promptly transfer all such amounts to the Corporation. During the term of any other Credit Facility, the Trustee shall obtain moneys under such Credit Facility, in accordance with the terms thereof, in a timely manner, in the full amount required to pay the principal or Redemption Price of and interest on the Bonds covered by such 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.

On or before each Interest Payment Date, the Trustee shall pay, from the sources described below and in the order of priority indicated, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date, and on or before the Redemption Date or date of purchase (but not with respect to any purchase pursuant to the Mandatory Purchase Provision or the Demand Purchase Option), the amounts required for the payment of accrued interest on Outstanding Bonds to be redeemed or purchased (unless the payment of such accrued interest shall be otherwise provided for) as follows:

(1) first, from the Revenue Account, and to the extent the moneys therein are insufficient for said purpose;

(2) second, from the Redemption Account, and to the extent the moneys therein are insufficient for said purpose;

(3) third, from the Bond Proceeds Account, and to the extent moneys therein are insufficient for said purpose;

(4) fourth, from any other moneys held by the Trustee under the Resolution and available for such purpose (except for moneys in the Credit Facility Payments Sub-Account and provided that moneys on deposit in the Principal Reserve Fund may only be used for such purpose with the prior written consent of the Credit Facility Provider), and to the extent that moneys therein are insufficient for said purpose; and

(5) fifth, from the Credit Facility Payments Sub-Account.

In the event of the bankruptcy of the Mortgagor or any other person making a payment under the Mortgage Note or a deposit into the Principal Reserve Fund from a source other than the Credit Facility, the Trustee shall request payment under the Credit Facility in accordance with its terms. All moneys derived from the Credit Facility pursuant to this paragraph shall be deposited in the Credit Facility Payments Sub-Account of the Revenue Account pending their application by the Trustee.

The Trustee and the Corporation shall promptly notify the Credit Facility Provider of either of the following as to which it has actual knowledge (i) an Act of Bankruptcy of the Mortgagor and (ii) the making of any claim in connection with seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal of, or interest on, the Bonds.

Each Bond owner, by its purchase of Bonds, and the Trustee and the Corporation by the Resolution, agree that the Credit Facility Provider may at any time during the continuation of an insolvency proceeding of the Mortgagor or any other person making a payment under the Mortgage Note (an "Insolvency Proceeding") direct all matters relating to such Bonds in any such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Credit Facility Provider shall be subrogated to the rights of the Corporation, the Trustee and the Bond owners in any Insolvency Proceeding to the extent it has performed its payment obligations under the Credit Facility, including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding and rights pertaining to the filing of a proof of claim, voting on a reorganization plan and rights to payment thereunder.

In the event that the Trustee shall have received any payment from the Credit Facility Provider under or pursuant to the Credit Facility, and thereafter amounts shall be received by the Trustee from the Mortgagor, the Remarketing Agent or other sources, which later received amounts were in payment of amounts satisfied by the payment under or pursuant to the Credit Facility, then such later received amounts shall be promptly reimbursed by the Trustee to the Credit Facility Provider to the extent of the amount so paid by the Credit Facility Provider.

Notwithstanding any provision to the contrary which may be contained in the Resolution, (i) in computing the amount to be obtained from the Principal Reserve Fund or 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 from the Principal Reserve Fund or 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. In addition, notwithstanding any other provision of the Resolution to the contrary, if there are any Purchased Bonds, amounts in the Revenue Account shall be applied first to the Bonds other than the Purchased Bonds and thereafter to the Purchased Bonds; provided further that in no event shall amounts in the Credit Facility Payments Sub-Account ever be applied to the payment of principal of or interest on any Purchased Bonds.

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 and only to the extent that the amount to be so transferred shall be from amounts remaining in the Revenue Account in excess of the Interest Reserve Requirement) (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 Remarketing Agent, an amount equal to that portion of the Remarketing Agent's unpaid annual fees then due and owing, (iv) fourth, to the Corporation, an amount equal to that portion of the Administrative Fee then due and owing, (v) fifth, 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), (vi) sixth, 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), (vii) seventh, if so directed by the Corporation, to the Remarketing Agent, an amount equal to the Remarketing Agent's unpaid fees and expenses (other than as set forth in (iii) above), (viii) eighth, 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, (ix) ninth, 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 Reimbursement Agreement, and (x) tenth, 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 (but only to the extent of the excess in the Revenue Account over the Interest Reserve Requirement) shall be paid to, or upon the order of, the Mortgagor, free and clear of the lien and pledge of the Resolution, unless the 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 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 Reimbursement Agreement and directing that the remaining balance 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 Redemption Account, and to the extent the moneys therein are insufficient for such purpose;

(2) second, from the Revenue Account, and to the extent the moneys therein are insufficient for such purpose;

(3) third, from the Bond Proceeds Account, and to the extent the moneys therein are insufficient for such purpose;

(4) fourth, from any other moneys held by the Trustee under the Resolution, and available for such purpose (except for moneys in the Credit Facility Payments Sub-Account and provided

that moneys on deposit in the Principal Reserve Fund may only be used for such purpose with the prior written consent of the Credit Facility Provider); and

(5) fifth, from the Credit Facility Payments Sub-Account to the extent funds held therein are available for such purpose under the terms of the Credit Facility.

Rebate Fund

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

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

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

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

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

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

Principal Reserve Fund

Amounts on deposit in the Principal Reserve Fund shall be applied as set forth in the Resolution. There shall be deposited into the Principal Reserve Fund all of the monthly payments made in accordance with the Principal Reserve Schedule attached to the Mortgage Note, as such schedule may be amended in accordance with the provisions of the Mortgage Note. Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall, if the amount in the Principal Reserve Fund is less than the Principal Reserve Amount, be retained therein, or, if there is no such deficiency, shall be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which

shall be retained in the Principal Reserve Fund. In addition, remarketing proceeds shall be deposited into the Principal Reserve Fund as described in the Resolution, in the event that, at the written direction of the Credit Facility Provider, amounts are withdrawn from the Principal Reserve Fund to purchase 1999 Bonds on any Tender Date and such 1999 Bonds are subsequently remarketed.

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

(1) to pay interest on and principal of the 1999 Bonds in the event there is an insufficient amount on deposit in the Revenue Account or the Redemption Account, as applicable, to pay interest due on and principal of the 1999 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date;

(2) to pay the Purchase Price of tendered 1999 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose; provided that if the Trustee shall obtain moneys pursuant to the Credit Facility to pay the Purchase Price of tendered 1999 Bonds, any amounts then or thereafter on deposit in the Principal Reserve Fund up to such amount shall, at the direction of the Credit Facility Provider, be withdrawn from the Principal Reserve Fund by the Trustee and paid to the Credit Facility Provider to reimburse the Credit Facility Provider for moneys made available under the Credit Facility;

(3) to reimburse the Credit Facility Provider, upon the demand of the Credit Facility Provider, for any amounts paid by the Credit Facility Provider under the Credit Facility in order to make the payments referred to in subparagraphs (1) or (2) above;

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

(5) if a default has occurred and is continuing under the Reimbursement Agreement, or if the Mortgagor otherwise consents, to any other use approved in writing by the General Counsel of the Initial Credit Facility Provider or by an Authorized Officer of any other Credit Facility Provider.

After paying debt service on each Interest Payment Date and after certain payments required by the Resolution, during the period the 1999 Bonds bear interest at the Weekly Rate, all amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of $100,000) shall be transferred by the Trustee to the Redemption Account automatically and used to redeem 1999 Bonds on the next Interest Payment Date.

If the Mortgagor certifies in writing to the Trustee and the Corporation that no "Event of Default" or "Default" exists under the Reimbursement Agreement, and if such certificate shall bear the written acknowledgement of the Credit Facility Provider, the Mortgagor shall be entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the redemption of the 1999 Bonds. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and shall be a Recovery of Principal; provided, however, that such right of the Mortgagor to direct such transfers may be exercised only at the times, and subject to any conditions, set forth in the Loan Agreement with respect to optional prepayments of the Mortgage Loan by the Mortgagor.

Moneys on deposit in the Principal Reserve Fund shall be invested (i) so long as the Initial Credit Facility is in effect, in Investment Securities described in paragraph (A)(a) of the definition of "Investment Securities" or, to the extent otherwise permitted by the Resolution, other short-term variable rate instruments that are "Investment Securities" within the meaning of paragraph (A)(h) of the definition of "Investment Securities", and (ii) at all other times, in Government Obligations or, to the extent otherwise permitted by the Resolution, (a) other short-term variable rate instruments rated by S&P in a category equivalent to the rating then in effect for the 1999 Bonds or (b) as otherwise permitted by the Credit Facility Provider, in its sole discretion.

At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (in which case the Trustee shall release such amounts to the Mortgagor, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any such release to the Mortgagor, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) no longer require deposits to the Principal Reserve Fund. Any amounts so released shall no longer secure the 1999 Bonds.

In lieu of amounts to be deposited in the Principal Reserve Fund, the Mortgagor may deliver (or cause to be delivered) a PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund in accordance with the provisions of the Reimbursement Agreement; provided, however, that no such deposit of a PRF Letter of Credit, and no release of moneys or Investment Securities pursuant to the third succeeding paragraph shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (y), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (x) if such PRF Letter of Credit is delivered to the Trustee subsequent to the date of original issuance of the 1999 Bonds, an opinion to the effect that neither the delivery and deposit of such PRF Letter of Credit, nor such release of moneys and Investment Securities from the Principal Reserve Fund, will adversely affect the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds, and (y) an opinion to the effect that such PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms.

Upon the occurrence and during the continuance of a PRF Triggering Event, the Credit Facility Provider shall have the absolute right, in its discretion, to require that within thirty (30) days the Mortgagor deliver (or cause to be delivered) a PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund, by delivering to the Mortgagor, the Trustee and the Corporation a notice stating that a "PRF Triggering Event" has occurred under the Reimbursement Agreement; provided, however, that no such deposit of a PRF Letter of Credit, and no release of moneys or Investment Securities pursuant to the second succeeding paragraph shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (y) other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (x) an opinion to the effect that neither the delivery and deposit of such PRF Letter of Credit, nor such release of moneys and Investment Securities from the Principal Reserve Fund, will adversely affect the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds, and (y) an opinion to the effect that such PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms.

In substitution of a PRF Letter of Credit, the Mortgagor, with the consent of the Credit Facility Provider, may deliver (or cause to be delivered) a Replacement PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund in accordance with the provisions of the Reimbursement Agreement; provided, however, that no such deposit of a Replacement PRF Letter of Credit shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (y), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (x) an opinion to the effect that the delivery and deposit of such Replacement PRF Letter of Credit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds, and (y) an opinion to the effect that such Replacement PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms. Any such Replacement PRF Letter of Credit delivered to the Trustee in accordance with this paragraph shall constitute a PRF Letter of Credit for purposes of the Resolution.

Upon delivery to the Trustee of a PRF Letter of Credit subsequent to the date of original issuance of the 1999 Bonds, if the opinions required by the second preceding paragraph, or, as applicable, of the third preceding paragraph, shall have been delivered, the Trustee shall release, to or upon the order of the Mortgagor, all moneys

and Investment Securities then on deposit in the Principal Reserve Fund; provided that the aggregate amount so released shall not exceed the amount then available to be drawn under the PRF Letter of Credit. Upon delivery to the Trustee of a Replacement PRF Letter of Credit, if the opinions required by the preceding paragraph shall have been delivered, the Trustee shall release the PRF Letter of Credit being replaced to the PRF Letter of Credit provider.

Moneys drawn or to be drawn under a PRF Letter of Credit shall constitute amounts on deposit in the Principal Reserve Fund for the purposes of the Resolution. The Trustee shall draw upon a PRF Letter of Credit for payment, transfer or other application in accordance with the Resolution (including, without limitation, at the direction of the Credit Facility Provider for the purposes set forth in clauses (1) through (5) of the second paragraph under the heading "Principal Reserve Fund."

If the Mortgagor certifies in writing to the Trustee and the Corporation that (i) no "Event of Default" or "Default" continues under the Reimbursement Agreement and (ii) certain debt service coverage ratio requirements have been met and if such certificate shall bear the written acknowledgment of the Credit Facility Provider, then the Trustee shall surrender the PRF Letter of Credit previously delivered to it in accordance with the Resolution due to the occurrence and continuation of a PRF Triggering Event, to the provider thereof in simultaneous exchange for an amount of money equal to the face amount of such PRF Letter of Credit, which money shall be deposited in the Principal Reserve Fund; provided, however, that no such surrender of the PRF Letter of Credit shall be made (a) if the Mortgagor has notified the Credit Facility Provider in writing that the Mortgagor wishes to retain the PRF Letter of Credit in accordance with the terms of the Reimbursement Agreement, or (b) unless prior thereto the Mortgagor shall deliver (or cause to be delivered) to the Trustee, the Corporation and the Credit Facility Provider an opinion, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider to the effect that such surrender and exchange will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds.

If ten (10) Business Days prior to the expiration of a PRF Letter of Credit, the Trustee has not received either (a) cash in an amount equal to the amount available to be drawn under such PRF Letter of Credit or (b)(i) a renewal, replacement or extension of such PRF Letter of Credit, (ii) written evidence from the Credit Facility Provider to the effect that all conditions contained in the Reimbursement Agreement with respect to such renewal, replacement or extension have been met, and (iii) the following opinions, addressed to the Trustee, the Corporation and the Credit Facility Provider, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (y) an opinion to the effect that the delivery and deposit of such renewal, replacement or extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds, and (z) an opinion to the effect that such renewal, replacement or extension is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms, then the Trustee shall draw the full amount available to be drawn under the PRF Letter of Credit; provided that with respect to a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence and continuance of a PRF Triggering Event, the Trustee shall so draw on such PRF Letter of Credit unless it has received the documents set forth in clause (b) of this sentence. If the Trustee is not required to draw on the PRF Letter of Credit because the conditions of the preceding sentence have been met and such PRF Letter of Credit is being replaced by cash or another PRF Letter of Credit, such PRF Letter of Credit shall be returned to the Mortgagor. In the event of such a draw on a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence and continuance of a PRF Triggering Event, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption or mandatory tender of 1999 Bonds in whole or in part in an amount not exceeding the amount so drawn under such PRF Letter of Credit.

Immediately after the Trustee shall have obtained actual knowledge of a downgrading of the long-term debt obligations of the issuer of a PRF Letter of Credit (other than a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence and continuation of PRF Triggering Event) below "A" by either S&P or Moody's, or, upon the written consent or the written direction of the Credit Facility Provider, thirty (30) days after a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below either "AA" by S&P or "Aa" by Moody's to a rating of "A" or above by S&P or Moody's, the Trustee shall draw

the full amount available to be drawn under such PRF Letter of Credit. Immediately after the Trustee shall have obtained actual knowledge of a downgrading of the long-term debt obligations of the issuer of a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence and continuation of PRF Triggering Event below either "BBB" by S&P or "Baa" by Moody's, or, upon the written consent or the written direction of the Credit Facility Provider, thirty (30) days after a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below "A" by S&P or Moody's to a rating of "BBB" or above by S&P or "Baa" or above by Moody's, the Trustee shall draw the full amount available to be drawn under such PRF Letter of Credit. In the event of such a draw on a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence and continuation of a PRF Triggering Event, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption or mandatory tender of 1999 Bonds in whole or in part in an amount not exceeding the amount so drawn under the PRF Letter of Credit.

If the Mortgagor fails to provide a PRF Letter of Credit in accordance with the Resolution upon the occurrence and during the continuance of a PRF Triggering Event, the Credit Facility Provider shall have the right to direct the Trustee to apply amounts in the Principal Reserve Fund to the mandatory redemption or mandatory tender of 1999 Bonds in whole or in part in an amount not exceeding the amount then on deposit in the Principal Reserve Fund.

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 1999 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 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 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 or Pledged Collateral

The Trustee shall not, without the prior written consent of the owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility except (i) to a successor Trustee, or (ii) to the Credit Facility Provider either (1) upon receipt of an Alternate Security, or (2) upon expiration or other termination of the Credit Facility in accordance with its terms, including termination on its stated expiration date or upon payment thereunder of the full amount payable thereunder. 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 "Initial Credit Facility" is not prohibited by the foregoing.

Supplemental Resolutions

Any modification of or amendment to the provisions of the Resolution and of the rights and obligations of the Corporation and of the owners of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the owners of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the owners of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the owners of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; provided, however, that a modification or amendment referred to in (iii) above shall not be permitted unless the Trustee shall have received a Bond Counsel's Opinion to the effect that such modification or amendment does not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds to which the tax covenants 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 Change 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); comply with the Code; provide for such changes as are deemed necessary by the Corporation upon delivery of an Alternate Security; or make any additions, deletions or modifications to the Resolution which, in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners.

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 1999 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 of such Series, 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 (i) an "Event of Default" has occurred and is continuing under the Credit Agreement, (ii) the Mortgagor has failed to (A) provide a PRF Letter of Credit in accordance with the Resolution due to the occurrence and continuance of a PRF Triggering Event, (B) amend, supplement or replace such PRF Letter of Credit in accordance with the Resolution and the Reimbursement Agreement, or (C) provide an extension of such PRF Letter of Credit for at least 364 days, or (iii) the long-term debt obligations of the issuer of a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence and continuance of a PRF Triggering Event have been downgraded below either "BBB" by S&P or "Baa" by Moody's or 30 days have elapsed since a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below "A" by either S&P or Moody's to a rating of "BBB" or above by S&P or "Baa" or above by Moody's, in each case 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, the Trustee shall enforce the remedy 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 one or more Series of the 1999 Bonds in the principal amount specified by the Credit Facility Provider, due and payable whereupon, with respect to any affected 1999 Bonds, such Bonds shall be immediately redeemed, without premium, pursuant to the Resolution, provided that upon the happening and continuance of an Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee, with the prior written consent of the Credit Facility Provider shall declare all Bonds due and payable, and provided, further, that with respect to an Event of Termination set forth in clause (ii) or (iii) of clause (5) of the preceding paragraph, the amount so specified by the Credit Facility Provider shall not exceed the amount on deposit in the Principal Reserve Fund or the amount available to be drawn under the PRF Letter of Credit, as the case may be; (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 1999 Bonds; or (8) upon the happening and continuance of an Event of Termination and upon receipt of written direction from the Credit Facility Provider, by carrying out a purchase of all or, if so designated by the Credit Facility Provider, a portion of one or more Series of the 1999 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; provided that with respect to an Event of Termination set forth in clause (ii) or (iii) of clause (5) of the preceding paragraph, the amount so designated by the Credit Facility Provider shall not exceed the amount on deposit in the Principal Reserve Fund or the amount available to be drawn under the PRF Letter of Credit, as the case may be.

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (5) or (8) of the preceding paragraph, the owners of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction and provided, further, that notwithstanding the foregoing, the 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 1999 Bonds, such notice need not be given with respect to any 1999 Bonds for which the Trustee has proceeded to carry out a mandatory purchase of such 1999 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 1999 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 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; and third, to the payment of amounts owed to the Credit Facility Provider under the Reimbursement 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.

(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 Reimbursement Agreement, including reimbursement to the extent it has made payments under the 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, (i) all rights of the Credit Facility Provider under the Resolution, including, but not limited to, the right to consent to, approve, initiate or direct extensions, remedies, waivers, actions and amendments thereunder shall (as to the Credit Facility Provider) cease, terminate and become null and void (a) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider, or (b) if the Credit 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 and (ii) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider or if the Credit Agreement is no longer in effect, all rights of the Credit Facility Provider with respect to the Principal Reserve Fund (including, but not limited to, directing the use of amounts therein) may be exercised by the Corporation.

Payments Due on Days Not Business Days

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

SUMMARY OF CERTAIN PROVISIONS OF THE COLLATERAL AGREEMENT AND REIMBURSEMENT AGREEMENT

The Collateral Agreement

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

General

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 1999 BONDS ARE SOLELY AS PROVIDED IN THE COLLATERAL AGREEMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE COLLATERAL AGREEMENT ARE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED, STOCKHOLDER-OWNED CORPORATION, AND ARE NOT BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. FANNIE MAE HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 1999 BONDS. THE 1999 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR OF ANY AGENCY THEREOF, OR OF FANNIE MAE, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FANNIE MAE.

Pledge of Collateral

Fannie Mae pledges to the Trustee, and grants to the Trustee a security interest in, the Pledged Collateral, and agrees that the Pledged Collateral is not to be otherwise pledged by Fannie Mae. The pledge made by Fannie Mae in the Collateral Agreement is in the nature of an hypothecation in which the pledged collateral is not delivered to the pledgee.

Except as otherwise provided in the Collateral Agreement, the Pledged Collateral is to be an interest in (a) Collateral Mortgages or (b) securities, obligations or participation interests described in the Collateral Agreement, but only upon the determination of Fannie Mae, as set forth in the Collateral Agreement.

Each Collateral Mortgage is to be an interest in a residential mortgage insured by FHA under the National Housing Act of 1934, as amended, or otherwise insured or guaranteed by an agency of the United States of America.

In the event that Fannie Mae determines that it does not intend to pledge Collateral Mortgages to satisfy its obligations under the Collateral Agreement, or that it does not possess sufficient Collateral Mortgages to satisfy its obligations under the Collateral Agreement, Fannie Mae, at any time, is to include as Collateral (a) mortgaged-backed securities guaranteed as to payment when due by Fannie Mae, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, or any successor to any of the foregoing, (b) any general obligation of Fannie Mae and (c) participation interests in any such securities or obligations described in the foregoing clauses (a) and (b).

Fannie Mae will not be obligated to set the Pledged Collateral apart or hold it in any manner distinct from any other mortgages or similar instruments owned by Fannie Mae, nor to provide to the Trustee any documentation as to the Pledged Collateral.

Fannie Mae reserves the right, at any time, to change the Pledged Collateral and to modify the Collateral to be listed in Schedule I attached to the Collateral Agreement in order to (i) add Collateral to Schedule I, (ii) withdraw Collateral from Schedule I, (iii) withdraw Collateral from Schedule I and substitute other Collateral, or (iv) withdraw Schedule I entirely and substitute a new Schedule I, provided that, at any such time, Fannie Mae is to (a) hold legal title to the Pledged Collateral and (b) have a beneficial interest in the Pledged Collateral, net of any prior pledge or assignment of the Pledged Collateral, at least equal to the Pledged Collateral Requirement.

Identification of Collateral

Failure to Make Required Mortgage Payment and/or Interest Reserve Deficiency. Fannie Mae has the right, in its discretion, at any time, in anticipation of the Trustee requiring payment from Fannie Mae pursuant to the Collateral Agreement, to either:

(a) identify (to the extent it has not previously done so) to the Trustee specific Collateral which is part of the Pledged Collateral or, if applicable, pledge additional Collateral as the source for payments required to be made pursuant to the Collateral Agreement; upon Fannie Mae's election to identify specific Collateral, as provided in this paragraph (a), it furnishes to the Trustee a list of such Collateral to be set forth in Schedule II to the Collateral Agreement, which Schedule II will also state the Trustee's precise interest (numerically or as a percentage) in the Collateral; or

(b) arrange for payment to the Trustee, from its own funds, any amounts required to be paid pursuant to the Collateral Agreement.

Tendered Bonds. Fannie Mae has the right, in its discretion, at any time, in anticipation of the Trustee requiring payment from Fannie Mae pursuant to the Collateral Agreement in order to provide funds to facilitate the purchase by the Trustee, on behalf of and as agent for the Mortgagor, of Tendered Bonds which have not been remarketed and, therefore, with respect to which there are no proceeds of remarketing and for the purchase of which there are not sufficient funds available therefor on deposit with the Trustee, including funds, other than a PRF Letter of Credit, on deposit in the Principal Reserve Fund because such funds are either insufficient or not available for use by the Trustee to purchase such Tendered Bonds because the Trustee has not received Fannie Mae's written direction to use funds on deposit in the Principal Reserve Fund for that purpose, to either:

(a) identify (to the extent it has not already done so) to the Trustee specific Collateral which is part of the Pledged Collateral or, if applicable, pledge additional Collateral, as the Collateral required to be redeemed by Fannie Mae pursuant to the Collateral Agreement, and timely redeem such Collateral, it being understood that the Trustee is not to be required to receive proceeds of the Collateral or

to obtain possession of and liquidate any of the Collateral in order to fund the purchase of Tendered Bonds; upon Fannie Mae's election to identify specific Collateral or pledge additional Collateral, as provided in this paragraph (a), it will furnish to the Trustee a list of the Collateral to be set forth in Schedule III to the Collateral Agreement, which Schedule III will also state the Trustee's precise interest (numerically and as a percentage) in the Collateral, provided that Fannie Mae will not be required to furnish such list prior to its redemption of the Collateral on the list; or

(b) arrange for payment to the Trustee, from its own funds, any amounts required to be paid pursuant to the Collateral Agreement.

Modification; Substitution. Fannie Mae reserves the right, at any time, to modify the Collateral listed in Schedule II or Schedule III to the Collateral Agreement in order to (a) add Collateral to Schedule II or Schedule III, as the case may be, (b) withdraw Collateral from Schedule II or Schedule III, as the case may be, (c) withdraw Collateral from Schedule II or Schedule III, as the case may be, and substitute new Collateral or (d) withdraw Schedule II or Schedule III, as the case may be, entirely and substitute a new Schedule II or Schedule III, as the case may be, provided in each case that, at any such time, Fannie Mae is to (i) hold legal title to the Pledged Collateral and (ii) have a beneficial interest in the Pledged Collateral, net of any prior pledge or assignment of the Pledged Collateral, at least equal to the Pledged Collateral Requirement.

Fannie Mae's Obligations Absolute and Unconditional. Notwithstanding any other provision of the Collateral Agreement to the contrary, Fannie Mae's obligations to (a) satisfy the Pledged Collateral Requirement on the terms and to the extent provided in the Collateral Agreement and (b) make payments to the Trustee pursuant to the Collateral Agreement, including, without limitation, its obligations to redeem all or a portion of the Pledged Collateral pursuant to the Collateral Agreement, are absolute, unconditional and irrevocable, are to be fulfilled strictly in accordance with the Collateral Agreement, are not to be affected by any rights of set-off, recoupment or counterclaim Fannie Mae might otherwise have against the Corporation, the Trustee, the Tender Agent, the Remarketing Agent, the Mortgagor, the Servicer or any other person, and are not to be dependent upon (i) the unpaid principal balance or the fair market value of the Pledged Collateral, (ii) whether the cash flow on the Pledged Collateral (whether or not Collateral is specifically identified to the Trustee pursuant to the Collateral Agreement) is sufficient to make the payments required by the Collateral Agreement or (iii) whether the unpaid principal balance or the fair market value of the Pledged Collateral to be redeemed (whether or not Collateral is specifically identified to the Trustee pursuant to the Collateral Agreement) is less than the amount of Fannie Mae's redemption obligations under the Collateral Agreement. Fannie Mae's obligations under the Collateral Agreement will not be suspended, discontinued or reduced or (except as expressly provided in the Collateral Agreement) terminated for any cause, including, without limiting the generality of the foregoing, any (1) interruption in the operation of the Project, (2) failure to obtain any permit, order or action of any kind from any governmental agency relating to the Mortgage Loan, the Project or the sale of the Pledged Collateral, (3) event constituting force majeure, (4) acts or circumstances that may constitute commercial frustration of purpose, (5) change in law, (6) failure of the Mortgagor to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation contained in or arising out of or connected with the Mortgage Documents, (7) failure of the Trustee to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation contained in, arising out of or connected with the Collateral Agreement or (8) failure of the Corporation to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation contained in or arising out of or connected with the Resolution, the Loan Agreement, the Assignment or any other document relating to the 1999 Bonds or the Mortgage Loan, it being the intention of Fannie Mae and the Trustee that, so long as the 1999 Bonds or any portion of the 1999 Bonds remain Outstanding, and with respect to any continuation of the Collateral Agreement beyond the Termination Date as provided in the second sentence under "Term" below, the rights of the Trustee under the Collateral Agreement are to continue in all events.

The provisions described in the previous paragraph are not to be construed to release the Corporation, the Trustee, the Tender Agent, the Remarketing Agent, the Mortgagor or the Servicer from any of their respective obligations under the Collateral Agreement, the Resolution, the Loan Agreement, the Tender Agent Agreement, the Remarketing Agreement, the Reimbursement Agreement, the Mortgage Documents or the Servicing Agreement, or except as provided in the previous paragraph, to prevent or restrict Fannie Mae from asserting any rights which it may have against the Corporation, the Trustee, the Tender Agent, the Remarketing Agent, the Mortgagor or the Servicer under the Collateral Agreement, the Resolution, the Loan Agreement, the Tender Agent Agreement, the

Remarketing Agreement, the Reimbursement Agreement, the Mortgage Documents, the Servicing Agreement or any provision of law, or to prevent or restrict Fannie Mae, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Trustee, the Mortgagor or the Servicer or taking any other action to protect or secure its rights.

Pledged Collateral Requirement

The "Pledged Collateral Requirement" means, with respect to any applicable date, the requirement that (i) the outstanding principal amount of the Pledged Collateral be an amount equal to the then applicable Available Amount and (ii) the cash flow (i.e., payments of principal and interest) on the Pledged Collateral (net of servicing fees on Collateral Mortgages) payable during each Monthly Bond Debt Service Period, determined without regard to earnings from the investment of the cash flow on the Pledged Collateral is to be not less than (1) one hundred percent (100%) of the interest payable on the 1999 Bonds on the Interest Payment Date immediately succeeding the Monthly Bond Debt Service Period and (2) the Issuer Fee.

Satisfaction of Pledged Collateral Requirement

Subject to the provisions of the Collateral Agreement, Fannie Mae has agreed that if Collateral is identified pursuant to the Collateral Agreement, or if Fannie Mae redeems Collateral pursuant to the Collateral Agreement, and if the identified Collateral will, on any date which Fannie Mae is required to make a payment under the Collateral Agreement, fail to meet the Pledged Collateral Requirement, Fannie Mae shall add Collateral sufficient to satisfy the Pledged Collateral Requirement or, in the case of a Collateral Mortgage in default, substitute Collateral sufficient to satisfy the Pledged Collateral Requirement (effective, in the case of substitution of Collateral for a Collateral Mortgage in default, as of the date to which principal and interest on the defaulted Collateral Mortgage has been paid), or, alternatively, is to pay the amount required by the Collateral Agreement with respect to a mandatory redemption of the Pledged Collateral pursuant to the Collateral Agreement, or, at Fannie Mae's option, is to pay the amounts required under the Collateral Agreement, as the case may be.

Deemed Satisfaction of Pledged Collateral Requirement

Notwithstanding any other provision of the Collateral Agreement to the contrary, the Pledged Collateral Requirement shall be deemed satisfied, as of any applicable date of determination, if, pursuant to the Collateral Agreement, Fannie Mae pays all amounts required to be paid by Fannie Mae pursuant to the Collateral Agreement as of such date.

Payments on Account of Pledged Collateral

Unless the Event of Default resulting from Fannie Mae's failure to make payments due by it under the Collateral Agreement shall have occurred and be continuing, all payments made on account of the Collateral shall (a) be retained by and be the property of Fannie Mae, (b) cease to be part of the Pledged Collateral and (c) be free of any claim by the Trustee under the Collateral Agreement or the Resolution.

Location and Servicing of Collateral; Participation Interests

Servicing of Collateral. Collateral comprising the Pledged Collateral shall be held and serviced by or for Fannie Mae.

Participation Interests. If Fannie Mae identifies specific Collateral pursuant to the Collateral Agreement and creates specific participation interests in such Collateral, Fannie Mae or its designee shall retain all documents with respect to such Collateral which are the subject of such participations and shall perform, or engage an independent contractor, as servicer, to perform, all servicing functions on behalf of the Trustee and any and all other parties holding participation interests in such Collateral.

Application of Payments on Collateral

Failure of Mortgagor to Make Required Mortgage Payment; Interest Reserve Deficiency. If a Required Mortgage Payment is not received by the Trustee by 3:00 p.m., Washington, D.C. time, on the Business Day immediately following the Due Date, the Trustee will give a Mortgage Loan Payment Default Notice to Fannie Mae and is to give a copy of the Mortgage Loan Payment Default Notice to the Servicer. The Mortgage Loan Payment Default Notice is to be given no later than 4:00 p.m., Washington, D.C. time, on the Business Day immediately following the Due Date. If a Mortgage Loan Payment Default Notice is given later than 4:00 p.m., Washington, D.C. time, the Mortgage Loan Payment Default Notice is to be deemed effective on the succeeding Business Day.

Upon receipt of a Mortgage Loan Payment Default Notice, with respect to a failure by the Mortgagor to make a Required Mortgage Payment, Fannie Mae, not later than the applicable Business Day specified below, is to pay or cause to be paid to the Trustee, from cash flow received on the Pledged Collateral, or from other funds of Fannie Mae, as a Required Fannie Mae Payment, an amount equal to the insufficiency referenced in the Mortgage Loan Payment Default Notice, such amount being equal to the difference between (a) the aggregate amount of the Required Mortgage Payments that was to have been received by the Trustee since the preceding Interest Payment Date and which has not been received by the Trustee and (b) the amount, if any, referenced in the Mortgage Loan Payment Default Notice as being available to the Trustee under the Resolution, including the amounts on deposit in the Revenue Account (other than the Interest Reserve Requirement) for application to satisfy the Required Mortgage Payment in default, provided that, if amounts (other than a PRF Letter of Credit) are on deposit in the Principal Reserve Fund and Fannie Mae has given its written direction to use all or any portion of such amounts to fund a portion of the Required Mortgage Payment in default, the Required Fannie Mae Payment is to be net of the amounts in the Principal Reserve Fund to be so applied.

Notwithstanding anything herein to the contrary, if, as of the Weekly Rate Determination Date immediately prior to any Interest Payment Date, there is an Interest Reserve Deficiency, then the Trustee will give an Interest Reserve Deficiency Payment Notice to Fannie Mae and a copy of the Interest Reserve Deficiency Payment Notice to the Servicer and to the Mortgagor. The Interest Reserve Deficiency Payment Notice is to be given at the earliest practical time on such Weekly Rate Determination Date, but not later than 5:00 p.m., Washington, D.C. time. If an Interest Reserve Deficiency Payment Notice is given later than 5:00 p.m., Washington, D.C. time, such Interest Reserve Deficiency Payment Notice is to be deemed effective on the succeeding Business Day.

Upon receipt of an Interest Reserve Deficiency Payment Notice, Fannie Mae, not later than the applicable Business Day specified below, is to pay or cause to be paid to the Trustee, from cash flow received on the Pledged Collateral, or from other funds of Fannie Mae, an amount equal to the Interest Reserve Deficiency, provided that, if amounts are on deposit in the Principal Reserve Fund, other than a PRF Letter of Credit, and Fannie Mae has given its written direction to use all or any portion of such amounts to fund a portion of this difference, such payment shall be net of the amounts in the Principal Reserve Fund to be so applied.

Timing of Required Fannie Mae Payment. Provided that Fannie Mae has timely received the Mortgage Loan Payment Default Notice from the Trustee, with respect to a failure by the Mortgagor to make a Required Mortgage Payment, the Required Fannie Mae Payment is to be made not later than the Business Day immediately preceding the Interest Payment Date to which the Required Fannie Mae Payment is applicable, or in the event of an Interest Reserve Deficiency Payment Notice, not later than 1:30 p.m. on the Interest Payment Date. If the Mortgage Loan Payment Default Notice is not timely received by Fannie Mae, the Required Fannie Mae Payment is to be made on or before the third Business Day following the date on which Fannie Mae receives the Mortgage Loan Payment Default Notice. If the Interest Reserve Deficiency Payment Notice is not timely received by Fannie Mae relating to an Interest Reserve Deficiency, Fannie Mae is to make the Required Fannie Mae Payment relating to such Interest Reserve Deficiency on or before the later of the Interest Payment Date or the Business Day following the date on which Fannie Mae receives such Interest Reserve Deficiency Payment Notice.

Continuation of Required Fannie Mae Payments. Fannie Mae, upon each receipt of a Mortgage Loan Payment Default Notice, Interest Reserve Deficiency Payment Notice, or Mortgage Loan Payment Default, Interest Reserve Deficiency Notice is to continue to forward the Required Fannie Mae Payment to the Trustee (without regard to whether the Mortgage Loan is foreclosed or otherwise extinguished), until the first to occur of (a) Fannie Mae's election to redeem the Pledged Collateral pursuant to the Collateral Agreement, (b) the Mortgagor's cure of

all defaults under the Mortgage Loan to the satisfaction of Fannie Mae and the Trustee in a manner which satisfies the requirements of the Mortgage Documents, the Loan Agreement and the Resolution, or (c) the substitution in accordance with the provisions of the Operative Documents of a new mortgage note and mortgage for the Mortgage Note and the Mortgage.

Limitations. Notwithstanding anything contained in the Collateral Agreement to the contrary, (a) a Mortgage Loan Payment Default Notice has no applicability to, and in no event will the Trustee deliver to Fannie Mae a Mortgage Loan Payment Default Notice with respect to, any amounts due in respect of the principal of, or accrued interest on, any Purchased Bonds or any 1999 Bonds which are not Outstanding under the Resolution and (b) Fannie Mae has no obligation to make a Required Fannie Mae Payment to the extent that the Required Fannie Mae Payment would be applied, in lieu of the Required Mortgage Payment, to fund any payment due with respect to the principal of, or accrued interest on, any Purchased Bonds or any 1999 Bonds which are not Outstanding under the Resolution.

Neither a Required Fannie Mae Payment pursuant to the Collateral Agreement nor a Servicer Advance shall be deemed a payment by the Mortgagor under, or be deemed to cure the Mortgagor's default under, any Mortgage Loan Document or any Bond Document.

Disgorgement. If all or any portion of a Required Mortgage Payment under a Mortgage Loan, an Interest Reserve Requirement Payment or an Interest Reserve Deficiency Payment by, or on behalf of, the Mortgagor is recovered from the Trustee or from any Bondholder, or if any payment to a Bondholder from funds on deposit in the Principal Reserve Fund is recovered from such Bondholder, in whole or in part, pursuant to Sections 544, 547, 549 or 550 of the Bankruptcy Code (or pursuant to any successor provisions of law) pursuant to a final nonappealable order of a court of competent jurisdiction in any proceeding instituted under the Bankruptcy Code by or against the Mortgagor or by or against any member of the Mortgagor making the Required Mortgage Payment, Interest Reserve Requirement Payment, Interest Reserve Deficiency Payment or such deposit into the Principal Reserve Fund, or by or against the Servicer making a Servicer Advance, upon receipt of written notice from the Trustee of the recovery, setting forth the amount of the recovery, Fannie Mae is to pay to the Trustee, from cash flow on the Pledged Collateral, or from other funds of Fannie Mae, or, with respect to the Required Mortgage Payment due on the Maturity Date, from funds of Fannie Mae to be applied to the redemption of all or a portion of the Pledged Collateral, for the benefit of the Bondholders, an amount equal to the amount of such recovery.

If the Trustee is prevented from using any Required Mortgage Payment, Interest Reserve Requirement Payment, Interest Reserve Deficiency Payment or any money on deposit in the Principal Reserve Fund to pay any amount due to the Bondholders as a result of the automatic stay relating to the Required Mortgage Payment, Interest Reserve Requirement Payment, Interest Reserve Deficiency Payment or such money on deposit in the Principal Reserve Fund imposed by a bankruptcy court under Section 362 of the Bankruptcy Code (or pursuant to any successor provision of law) in a proceeding against the Mortgagor or any member of the Mortgagor making the Required Mortgage Payment, Interest Reserve Requirement Payment, Interest Reserve Deficiency Payment or the deposit into the Principal Reserve Fund, or by or against the Servicer making a Servicer Advance, Fannie Mae will pay to the Trustee, from cash flow on the Pledged Collateral, or from other funds of Fannie Mae, for the benefit of the Bondholders, an amount equal to the amount due and unpaid to the Bondholders, provided that in no event will any payment be required in respect of any payment which is not (i) a Required Mortgage Payment, (ii) an Interest Reserve Requirement Payment, (iii) an Interest Reserve Deficiency Payment or (iv) a payment from moneys on deposit in the Principal Reserve Fund. Nothing in the Collateral Agreement is to preclude Fannie Mae from contesting, directly or indirectly, e.g., through the Trustee, in any such proceeding, any such attempted recovery or stay or from seeking to lift or modify the automatic stay. The Trustee has agreed to promptly notify Fannie Mae of any demand for recovery of a payment, and to contest any attempted recovery or stay or to seek to lift or modify the automatic stay at the written direction of Fannie Mae, as well as to cease such actions or settle any claim or contest in accordance with written instructions from Fannie Mae, provided that the Trustee is indemnified by Fannie Mae for all expenses to which it may be put and against any liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct, by reason of any action so taken; provided further that such indemnification will not be required if the Trustee fails to timely notify Fannie Mae, as required by the preceding sentence, and such failure is prejudicial to Fannie Mae. Fannie Mae will be subrogated to the rights of the Trustee and the Bondholders with respect to any claims arising from any payment made by Fannie Mae as described in this paragraph or the immediately preceding paragraph.

Payments on Collateral. Unless an Event of Default relating to a failure by Fannie Mae to pay any amounts due by it under the Collateral Agreement has occurred and is continuing, on the last Business Day prior to each regularly scheduled Interest Payment Date (a) all cash flow received by Fannie Mae prior to the first day of the preceding calendar month in connection with the Pledged Collateral and all investment earnings realized on such cash flow during such period will be retained by and be the property of Fannie Mae, (b) any cash flow received by the Trustee on or in connection with the Pledged Collateral prior to the first day of the preceding calendar month and all investment earnings realized on such cash flow during such period and not theretofore paid to Fannie Mae or deposited in the Credit Facility Payments Sub-Account of the Revenue Account created under the Resolution are to be paid by the Trustee to Fannie Mae on the last Business Day prior to such regularly scheduled Interest Payment Date and (c) except as otherwise provided in the Collateral Agreement, all such amounts will cease to be part of the Pledged Collateral, will not be subject to the pledge and security interest created by the Collateral Agreement, will be free of any claims by the Trustee under the Collateral Agreement or the Resolution and will be the property of Fannie Mae.

Payment from General Funds. At Fannie Mae's option, any payment required to be made pursuant to the Collateral Agreement may be made from the general funds of Fannie Mae, rather than from the cash flow on the Pledged Collateral or the proceeds of the Pledged Collateral. Any payment required to be made pursuant to the Collateral Agreement will be made from the general funds of Fannie Mae, rather than from the Pledged Collateral or the proceeds of the Pledged Collateral, to the extent necessary to satisfy Fannie Mae's obligations under the Collateral Agreement, as provided in and consistent with the provisions of the Collateral Agreement.

Application of Payments. No payment made by Fannie Mae pursuant to the Collateral Agreement due to the failure of the Mortgagor to make one or more Required Mortgage Payments to the Trustee is to be applied (a) to make payment in respect of the principal of, or accrued interest on, any Purchased Bonds or any 1999 Bonds which are not Outstanding under the Resolution or (b) for any purpose described in the Collateral Agreement relating to the purchase and remarketing of Tendered Bonds. No part of any Required Mortgage Payment is to be applied (x) for any purpose other than to pay interest, or principal and interest, as the case may be, to the Bondholders, and fees due and payable under the Mortgage Note as part of such Required Mortgage Payment or (y) to reimburse Fannie Mae for any payment made pursuant to the Collateral Agreement. No part of any Required Fannie Mae Payment constituting an Interest Reserve Deficiency Payment shall be used for any purpose other than to pay an Interest Reserve Deficiency.

Release of Pledged Collateral in Connection with Redemption of Pledged Collateral

Release. The Trustee, on any date following a default under any Mortgage Document, including any default caused by the occurrence of an Event of Default under (and as defined in) the Loan Agreement or the Reimbursement Agreement, at Fannie Mae's written direction, is to release all or a portion of the Pledged Collateral, as appropriate, upon (a) Fannie Mae's election to redeem the Pledged Collateral, in whole or in part, as provided in the Collateral Agreement, or (b) the occurrence of any event giving rise to Fannie Mae's obligation to redeem the Pledged Collateral, as provided in the Collateral Agreement, in each instance concurrently with Fannie Mae's payment of the amount set forth in the Collateral Agreement as described below under "Amounts Payable."

Optional Redemption of Pledged Collateral. Fannie Mae has the option, in its sole and absolute discretion, on not less than one (1) day's written notice to the Trustee, to redeem the Pledged Collateral in whole or, in the event Fannie Mae shall elect to direct that only a portion of the 1999 Bonds be declared due and payable pursuant to the Resolution or that only a portion of the 1999 Bonds be purchased pursuant to the Resolution, in part, on any date following a default under any Mortgage Document, including any default caused by the occurrence of an Event of Default under (and as defined in) the Loan Agreement or the Reimbursement Agreement, by making payment of the amount set forth in the Collateral Agreement. Upon receipt of Fannie Mae's payment, the Trustee, at the direction of Fannie Mae, is to take all required action under the Resolution to provide for (a) the mandatory redemption of the 1999 Bonds in whole or in part in accordance with the Resolution or (b) the mandatory tender of the 1999 Bonds in whole or in part in accordance with the Resolution, in each instance as directed by Fannie Mae. Upon Fannie Mae's redemption of the Pledged Collateral, the Trustee, as provided in the Collateral Agreement, is to release all or part of the Pledged Collateral from the pledge made in the Collateral Agreement.

Mandatory Redemption of Pledged Collateral. Fannie Mae is obligated to redeem the Pledged Collateral from the Trustee and to pay to the Trustee the amount set forth in the Collateral Agreement, upon which redemption the Trustee is to release the Pledged Collateral from the pledge and security interest created by the Collateral Agreement, upon the occurrence of any of the following events:

(i) Fannie Mae's receipt of written notice from the Trustee stating that the Trustee has, in accordance with and as permitted or required by the Resolution, accelerated payment of the 1999 Bonds, and either (a) that the 1999 Bonds are subject to mandatory redemption in accordance with the Resolution, such redemption of Pledged Collateral to be made on the date of such redemption or (b) that the Trustee shall purchase 1999 Bonds pursuant to the Resolution, such redemption of Pledged Collateral to be made within eight (8) days following receipt by the Trustee of such direction; or

(ii) Fannie Mae's receipt of written notice from the Trustee stating that (a) the Trustee has received a prepayment of the Mortgage Loan following involuntary destruction or loss of all or substantially all of the Project as a result of casualty or condemnation and (b) the amount of the prepayment is less than the amount which would be required to be paid by Fannie Mae to the Trustee upon a redemption of Pledged Collateral under the Collateral Agreement occasioned by the event described in paragraph (i) above, such redemption of the Pledged Collateral to be made within thirty (30) days following Fannie Mae's receipt of the Trustee's written notice.

Upon receipt of Fannie Mae's payment, the Trustee is to take all required action under the Resolution to provide for the acceleration of the 1999 Bonds in accordance with the Resolution and the mandatory redemption or the mandatory tender of the 1999 Bonds in accordance with the Resolution. The Trustee has agreed to provide the Servicer with a copy of each notice given by the Trustee to Fannie Mae under the Collateral Agreement concurrently with the giving of such notice to Fannie Mae.

Mandatory Redemption in Part of Pledged Collateral. If any part of the principal amount of the Mortgage Loan is forgiven or cancelled by or at the direction of Fannie Mae, Fannie Mae shall redeem Pledged Collateral from the Trustee in part, pay to the Trustee the amount summarized under "Redemption of Pledged Collateral in Part" hereunder and direct the Trustee to declare the 1999 Bonds due and payable and effect a mandatory redemption of 1999 Bonds in accordance with the Resolution in a principal amount equal to the principal amount of the Mortgage Loan forgiven or cancelled by or at the direction of Fannie Mae. Upon such a redemption of Pledged Collateral, at the written direction of Fannie Mae, the Trustee shall release the Pledged Collateral so redeemed from the pledge and security interest created by the Collateral Agreement.

Redemption of Pledged Collateral in Whole. The amount payable by Fannie Mae in the event of an optional redemption of the Pledged Collateral in whole pursuant to the Collateral Agreement or a mandatory redemption of the Pledged Collateral pursuant to the provision in the Collateral Agreement described in clause (i) above under "Mandatory Redemption of Pledged Collateral", is the amount necessary after taking into account funds held by the Trustee under the Resolution that are available for such purpose, including the funds on deposit in the Revenue Account and, if Fannie Mae has directed in writing the use of funds, other than a PRF Letter of Credit, on deposit in the Principal Reserve Fund, such amounts on deposit in the Principal Reserve Fund, to provide for payment of a principal amount of all of the 1999 Bonds Outstanding (excluding Purchased Bonds) plus an amount equal to accrued and unpaid interest due and payable on the 1999 Bonds Outstanding (excluding Purchased Bonds) upon the acceleration of payment of, or redemption or, if applicable, tender of the 1999 Bonds, as determined in accordance with the provisions of the Resolution, as the case may be, which amount is not to exceed the outstanding principal balance of the Mortgage Loan plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of the Trustee's declaration of acceleration, the date of redemption or the Tender Date, as the case may be, of the 1999 Bonds. The amount payable by Fannie Mae in the event of a mandatory redemption of the Pledged Collateral, pursuant to the provision in the Collateral Agreement described in clause (ii) above under "Mandatory Redemption of Pledged Collateral" is the amount that is sufficient, and not to exceed the amount necessary, after taking into account funds held by the Trustee under the Resolution that are available for such purpose, including amounts received in connection with the destruction or loss of all or substantially all of the Project as a result of casualty or condemnation, and including the amounts on deposit in the Revenue Account and, if Fannie Mae has directed in writing the use of funds, other than a PRF Letter of Credit, on deposit in the Principal Reserve Fund, such amounts on deposit in the Principal Reserve Fund, to redeem all of the 1999 Bonds Outstanding (excluding

Purchased Bonds) as of the date of such redemption plus an amount equal to accrued and unpaid interest due and payable on the 1999 Bonds Outstanding (excluding Purchased Bonds) to the earliest practicable redemption date permitted under the Resolution, which amount will not exceed the outstanding principal balance of the Mortgage Loan plus accrued interest on the Mortgage Loan at the Pass-Through Rate to the date of redemption of the 1999 Bonds. In taking into account funds on deposit under the Resolution for purposes of this paragraph, securities on deposit in the funds and accounts will be converted to cash prior to valuation.

Redemption of Pledged Collateral in Part. The amount payable by Fannie Mae in the event of an optional redemption of Pledged Collateral in part or a mandatory redemption of Pledged Collateral in part is to be an amount equal to the amount necessary, after taking into account funds held by the Trustee under the Resolution that are available for such purpose, including the amounts on deposit in the Revenue Account (other than the Interest Reserve Requirement for the 1999 Bonds which shall remain Outstanding) and, if Fannie Mae has directed in writing the use of funds, other than a PRF Letter of Credit, on deposit in the Principal Reserve Fund, such amounts on deposit in the Principal Reserve Fund, to provide for the (x) mandatory redemption in part of a principal amount of the 1999 Bonds Outstanding (excluding Purchased Bonds) pursuant to the Resolution equal to the amount (i) as directed by Fannie Mae or (ii) by which the principal balance of the Mortgage Loan is forgiven or cancelled, or (y) purchase of 1999 Bonds pursuant to a mandatory tender thereof in part pursuant to the Resolution equal to the amount as directed by Fannie Mae.

Disgorgement. If the Trustee has received a payment under the Mortgage Note relating to the Mortgage Note Payments Interest from a source other than Fannie Mae or has made a payment to the Bondholders from moneys on deposit in the Principal Reserve Fund or moneys which comprise the Interest Reserve Requirement held in the Revenue Account under the Resolution, Fannie Mae agrees that if any such payment is recovered from the Trustee or any Bondholder, in whole or in part, pursuant to Sections 544, 547, 549 or 550 of the Bankruptcy Code (or pursuant to any successor provisions of law) pursuant to a final nonappealable order of a court of competent jurisdiction in any proceeding instituted under the Bankruptcy Code by or against the Mortgagor or any member of the Mortgagor making such payment or such deposit to the Principal Reserve Fund or Revenue Account, or by or against the Servicer making a Servicer Advance, upon receipt of written notice from the Trustee of the recovery, setting forth the amount of the recovery, Fannie Mae will pay to the Trustee, for the sole benefit of the Bondholders, an amount equal to the amount of such recovery, provided that Fannie Mae has no obligation pursuant to the Collateral Agreement (a) with respect to optional prepayments of the Mortgage Loan resulting in an optional redemption of the 1999 Bonds unless Fannie Mae has specifically consented to such optional prepayment and optional redemption in writing, (b) with respect to any Purchased Bond, (c) with respect to the Set Rate or (d) with respect to the premium, if any, paid to Bondholders upon a redemption of 1999 Bonds prior to maturity. If the Trustee is prevented from paying over to the Bondholders any amount (including any amount on deposit in the Principal Reserve Fund or from moneys which comprise the Interest Reserve Requirement) due to the Bondholders as a result of the automatic stay imposed by a bankruptcy court under Section 362 of the Bankruptcy Code (or pursuant to any successor provision of law) in a proceeding by or against the Mortgagor or any member of the Mortgagor making a payment under the Mortgage Note or deposit to the Principal Reserve Fund from a source other than Fannie Mae, or by or against the Servicer making a Servicer Advance, Fannie Mae is to pay to the Trustee, for the benefit of the Bondholders, an amount equal to the amount due and unpaid to the Bondholders. Nothing contained in the provisions described in this paragraph is to preclude Fannie Mae from contesting, directly or indirectly, e.g. through the Trustee, in any such proceeding, any such attempted recovery or stay or from seeking to lift or modify the automatic stay. The Trustee agrees to promptly notify Fannie Mae of any demand for recovery of a payment. The Trustee further agrees to contest any attempted recovery or stay or to seek to lift or modify the automatic stay at the written direction of Fannie Mae, as well as to cease such actions or settle any claim or contest in accordance with written instructions from Fannie Mae, provided that the Trustee is indemnified by Fannie Mae for all expenses to which it may be put and against any liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct, by reason of any action so taken; provided further that such indemnification is not to be required if the Trustee fails to timely notify Fannie Mae, as required by the preceding sentence, and such failure is prejudicial to Fannie Mae. Fannie Mae will be subrogated to the rights of the Trustee and the Bondholders with respect to any claims arising from any payment made by Fannie Mae as described in this paragraph.

Release and Delivery. On the date of Fannie Mae's redemption of the Pledged Collateral pursuant to the Collateral Agreement, as the case may be, by the payment by Fannie Mae to the Trustee of the applicable amount

specified above under "Amounts Payable," the Trustee is to be deemed to have released the Pledged Collateral then pledged to the Trustee, and is to deliver to Fannie Mae any documents in the Trustee's possession relating to the released Pledged Collateral and pay to Fannie Mae all amounts then held by the Trustee which were derived from payments by Fannie Mae or received as cash flow in connection with the released Pledged Collateral, including investment earnings on all such amounts, and not theretofore applied to payment of principal of or interest on the 1999 Bonds or deposited by the Trustee in the Credit Facility Payments Sub-Account of the Revenue Account held under the Resolution for such purpose.

Reinstatement of Pledged Collateral. Notwithstanding the provisions of the Collateral Agreement, Pledged Collateral which has been deemed released under the Collateral Agreement in connection with the purchase of Tendered Bonds (pursuant to a mandatory tender directed by Fannie Mae in accordance with the Collateral Agreement) is to be again deemed pledged under the Collateral Agreement and again be part of the Pledged Collateral, and Fannie Mae's obligation to redeem such Pledged Collateral is to be reinstated (a) automatically, when and to the extent that (i) Fannie Mae has received reimbursement in immediately available funds for the amount provided under the Collateral Agreement to pay all or a portion of the Purchase Price of the Tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Fannie Mae as reimbursement for the amount provided to pay all or a portion of the Purchase Price of the Tendered Bonds, and (ii) the Tender Agent has delivered to Fannie Mae, by telecopy transmission to the Manager, Multifamily Operations or to such other office or Fannie Mae employee as Fannie Mae designates by written notice to the Tender Agent (with confirmation of the telecopy transmission by (A) telephone call to the Manager, Multifamily Operations or to such other office or Fannie Mae employee as Fannie Mae designates by written notice to the Tender Agent and (B) mailed original sent concurrently by first class mail, postage fully prepaid, to the Manager, Multifamily Operations or to such other office or Fannie Mae employee as Fannie Mae designates by written notice to the Tender Agent), a certificate in the form attached to the Collateral Agreement, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Fannie Mae, in its discretion, advises the Trustee in writing that such reinstatement will occur, it being understood that Fannie Mae has no obligation to grant any such reinstatement except as described in clause (a).

Conditions to Release of Pledged Collateral. Fannie Mae has agreed that it will have neither the right nor the obligation to obtain the release of the Pledged Collateral except as provided in the Collateral Agreement.

Purchase and Remarketing of 1999 Bonds; Release and Reinstatement of Pledged Collateral

Fannie Mae Liquidity Commitment; Repurchase of Pledged Collateral. If, on any Purchase Date, the Remarketing Agent is unable to, or is not required to, remarket any or all of the Tendered Bonds tendered for purchase on such Purchase Date, and there are not sufficient funds which are available therefor on deposit with the Trustee, including funds, other than a PRF Letter of Credit, on deposit in the Principal Reserve Fund because such funds are either insufficient or not available to the Trustee for use by the Trustee to purchase Tendered Bonds because the Trustee has not received Fannie Mae's written direction to use funds on deposit in the Principal Reserve Fund for that purpose, Fannie Mae will be obligated to redeem from the Trustee all or a portion of the Pledged Collateral and to pay to the Trustee, not later than 1:30 p.m., Washington, D.C. time, on the Purchase Date, the amount specified below under "Amounts Payable," in which event the Trustee, to the extent of the Pledged Collateral redeemed by Fannie Mae, is to release the Pledged Collateral redeemed by Fannie Mae. Fannie Mae's obligation to redeem Pledged Collateral described in this paragraph is subject to the condition precedent that Fannie Mae has timely received from the Trustee or the Tender Agent, as the case may be, and the Remarketing Agent, all notices required to be delivered to Fannie Mae pursuant to the Resolution, the Remarketing Agreement and a Collateral Redemption Notice.

Amounts Payable. In the event that Fannie Mae redeems all or a portion of the Pledged Collateral pursuant to the Collateral Agreement as described in the preceding paragraph, the Pledged Collateral is to be redeemed by Fannie Mae in the amount specified in the Collateral Redemption Notice, provided that in no event is the Liquidity Commitment to exceed the Available Amount. Payments to redeem Pledged Collateral are to be made by wire transfer to an account designated by the Trustee in writing to Fannie Mae. Any amount provided by Fannie Mae on a Purchase Date to redeem Pledged Collateral which is not used for such purpose or set aside for any undelivered 1999 Bonds is to be repaid immediately by the Trustee to Fannie Mae in immediately available funds.

Release and Delivery. On the date of Fannie Mae's redemption of all or a portion of the Pledged Collateral pursuant to the Collateral Agreement as described above under "Fannie Mae Liquidity Commitment; Repurchase of Pledged Collateral," by the payment by Fannie Mae to the Trustee of the applicable amount specified in the immediately preceding paragraph, the Trustee will be deemed to have released Pledged Collateral, in whole or in part, then held by the Trustee, in an amount corresponding to the amount of Fannie Mae's redemption of Pledged Collateral. Any amounts then held by the Trustee which were derived from payments by Fannie Mae or received in connection with such Pledged Collateral, including investment earnings on such amounts, and not theretofore applied to payment of the purchase price of Tendered Bonds or transferred by the Trustee to the Tender Agent for such purpose, are to be paid to Fannie Mae.

Reinstatement of Pledged Collateral. Notwithstanding the provisions of the immediately preceding paragraph, Pledged Collateral that has been deemed released under the Collateral Agreement is to be again deemed pledged under the Collateral Agreement and again be part of the Pledged Collateral, and Fannie Mae's obligation to redeem such Pledged Collateral is to be reinstated (a) automatically, when and to the extent that (i) Fannie Mae has received reimbursement in immediately available funds for the amount provided under the Collateral Agreement to pay all or a portion of the Purchase Price of Tendered Bonds or has received written confirmation from the Tender Agent that the Tender Agent has received immediately available funds which it will immediately remit to Fannie Mae as reimbursement for the amount provided to pay all or a portion of the Purchase Price of Tendered Bonds, and (ii) the Tender Agent has delivered to Fannie Mae by telecopy transmission to the Manager, Multifamily Operations or to such other office or Fannie Mae employee as Fannie Mae will designate by written notice to the Tender Agent (with confirmation of the telecopy transmission by (A) telephone call to the Manager, Multifamily Operations or to such other office or Fannie Mae employee as Fannie Mae designates by written notice to the Tender Agent and (B) mailed original sent concurrently by first class mail, postage fully prepaid, to the Manager, Multifamily Operations or to such other office or Fannie Mae employee as Fannie Mae designates by written notice to the Tender Agent), a certificate in the form attached to the Collateral Agreement appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Fannie Mae in its discretion, advises the Trustee in writing that such reinstatement is to occur, it being understood that Fannie Mae has no obligation to grant any such reinstatement except as provided in clause (a).

Disgorgement. If the Trustee has applied moneys provided by the Mortgagor or by any member of the Mortgagor or by the Servicer as a Servicer Advance held by the Trustee under the Resolution, including funds on deposit in the Principal Reserve Fund, to pay the Purchase Price of Tendered Bonds and if any such payment is recovered from the Trustee or any Bondholder, in whole or in part, pursuant to Sections 544, 547, 549 or 550 of the Bankruptcy Code (or pursuant to any successor provisions of law) pursuant to a final nonappealable order of a court of competent jurisdiction in any proceeding instituted under the Bankruptcy Code by or against the Mortgagor or by or against any member of the Mortgagor making the payment or such deposit into the Principal Reserve Fund on behalf of the Mortgagor, or by or against the Servicer making a Servicer Advance, upon receipt of written notice from the Trustee of the recovery, setting forth the amount of the recovery, Fannie Mae is to pay to the Trustee, for the benefit of the Bondholders, an amount equal to the amount of the recovery, by redeeming from the Trustee all or a portion of the Pledged Collateral in the same manner as if such moneys provided by the Mortgagor or by any member of the Mortgagor on behalf of the Mortgagor or by the Servicer as a Servicer Advance or held by the Trustee under the Resolution, including funds on deposit in the Principal Reserve Fund, was not available to the Trustee in the first instance. In such event, the foregoing provisions of the Collateral Agreement applicable to the purchase and remarketing of 1999 Bonds and the release and reinstatement of Pledged Collateral will otherwise apply. If the Trustee is prevented from paying any money provided by the Mortgagor or by any member of the Mortgagor on behalf of the Mortgagor or by the Servicer as a Servicer Advance or on deposit under the Resolution, including funds on deposit in the Principal Reserve Fund, to pay the Purchase Price of Tendered Bonds as a result of the automatic stay imposed by a bankruptcy court under Section 362 of the Bankruptcy Code (or pursuant to any successor provision of law) in a proceeding by or against the Mortgagor or by or against any member of the Mortgagor making a payment on behalf of the Mortgagor or making a payment on behalf of the Mortgagor for deposit into the Principal Reserve Fund, or by or against the Servicer making a Servicer Advance upon written notice from the Trustee of the stay, setting forth the amount stayed, Fannie Mae is to pay to the Trustee, for the benefit of the Bondholders, an amount equal to the amount of such payment to be otherwise derived from the payment or deposit by the Mortgagor or by any member of the Mortgagor or by the Servicer as a Servicer Advance by redeeming all or a portion of the Pledged Collateral in the same manner as if such funds were not available to the Trustee in the first instance. In such event, the foregoing provisions of the Collateral Agreement applicable to the

purchase and remarketing of 1999 Bonds and the release and reinstatement of Pledged Collateral will otherwise apply. Nothing in the provisions described in this paragraph is to preclude Fannie Mae from contesting, directly or indirectly (e.g., through the Trustee), in any such proceeding, any such attempted recovery or stay or from seeking to lift or modify the automatic stay. The Trustee agrees to promptly notify Fannie Mae of any demand for recovery of a payment. The Trustee further agrees to contest any attempted recovery or stay or to seek to lift or modify the automatic stay at the direction of Fannie Mae, as well as to cease such actions or settle any claim or contest in accordance with written instructions from Fannie Mae, provided that the Trustee is indemnified by Fannie Mae for all expenses to which it may be put and against any liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct, by reason of any action so taken; provided further that such indemnification is not required if the Trustee fails to timely notify Fannie Mae as required by the preceding sentence and such failure is prejudicial to Fannie Mae. Fannie Mae will be subrogated to the rights of the Trustee and Bondholders with respect to any claims arising from any payment made by Fannie Mae as described under this paragraph.

Liquidity Commitment Termination. Except as provided in the immediately preceding paragraph, on the Liquidity Commitment Termination Date (a) the obligations of Fannie Mae under the Collateral Agreement with respect to the purchase and remarketing of 1999 Bonds and release and reinstatement of Pledged Collateral are to terminate and (b) all provisions of the Collateral Agreement relating to Fannie Mae's Liquidity Commitment are to cease to be applicable.

Failure to Remarket. If, following an optional or mandatory tender of 1999 Bonds in accordance with the Resolution, the 1999 Bonds have not been remarketed, but have been purchased by the Trustee on behalf of and as agent for the Mortgagor with funds provided by Fannie Mae to the Trustee under the Collateral Agreement or with funds, other than a PRF Letter of Credit, withdrawn at Fannie Mae's written direction from the Principal Reserve Fund and such Purchased Bonds have not been remarketed within one year from the date of such purchase, Fannie Mae is to have the right, at any time following such one-year period and provided (a) the 1999 Bonds have not then been remarketed, (b) Fannie Mae has not then been reimbursed in full for the amounts advanced under the Collateral Agreement and/or that the Principal Reserve Fund has not then been replenished in full, and (c) that Fannie Mae has not then been paid in full all fees and other amounts due to Fannie Mae, all in accordance with the Reimbursement Agreement, to (x) declare an Event of Default under the Reimbursement Agreement and, as provided in the Reimbursement Agreement declare a default under the Mortgage Loan; and/or (y) direct the Trustee in writing to do any one or more of the following: (1) assign its interest in the Mortgage Loan, including, without limitation, the Mortgage Note, the Mortgage and the Mortgage Note Payments Interest to Fannie Mae pursuant to the terms of the Assignment, and/or (2) accelerate payment of the 1999 Bonds and redeem the 1999 Bonds in accordance with the Resolution or to carry out a purchase of the 1999 Bonds in accordance with the Resolution; in any of such events, Fannie Mae is to redeem the Pledged Collateral pursuant to the Collateral Agreement. If Fannie Mae instructs the Trustee to assign its interest in the Mortgage Note Payments Interest and any other interest of the Trustee in the Mortgage Loan to Fannie Mae, the Trustee, unless otherwise instructed by Fannie Mae, is to execute all such documents as are necessary to legally and validly effectuate the assignment.

Manner of Payments

All payments by Fannie Mae under the Collateral Agreement are to be made to the Trustee in lawful currency of the United States and in immediately available funds.

Release of Pledged Collateral Upon Reduction in 1999 Bonds Outstanding or Discharge of 1999 Bonds

The Trustee, at the direction of Fannie Mae, is to release a portion of the Pledged Collateral upon any reduction in the principal amount of 1999 Bonds Outstanding by reason of any redemption of a portion of the 1999 Bonds Outstanding, such release of Pledged Collateral to be in an amount specified by Fannie Mae, but such that the Pledged Collateral Requirement is to continue to be met with respect to all remaining 1999 Bonds Outstanding after the 1999 Bond redemptions; the determination of Collateral to be released is to be made by Fannie Mae, in its discretion. The Trustee is to release the Pledged Collateral upon a satisfaction and discharge of the 1999 Bonds pursuant to the Resolution. Upon any release of Pledged Collateral, Fannie Mae may modify the Collateral listed in the Collateral Agreement. Notwithstanding the foregoing, Pledged Collateral is not to be released until Fannie

Mae's obligation under the Collateral Agreement has been extinguished and, in any event, no release of Pledged Collateral is to affect Fannie Mae's rights or obligations as described above under the subheading "Disgorgement."

Affirmation

In the event that Fannie Mae acquires the Project through foreclosure, by accepting a deed-in-lieu of foreclosure or by comparable conversion of the Project, Fannie Mae may elect to retain the Project and not to repurchase the Pledged Collateral, and if it so elects, its obligations under the Collateral Agreement shall continue in full force and effect as if the Mortgage Note has not been extinguished by the foreclosure, such obligations to be measured by Required Mortgage Payments that, but for the foreclosure or other conversion, would have been due on the Mortgage Note.

No assignment of the Trustee's interest in the Mortgage Note to Fannie Mae under the Assignment shall affect Fannie Mae's obligations pursuant to the Collateral Agreement.

Discharge of Mortgage Loan in Part

Notwithstanding any other provision of the Collateral Agreement to the contrary, no part of the principal amount of the Mortgage Loan shall be forgiven or cancelled by or at the direction of Fannie Mae unless Fannie Mae redeems Pledged Collateral in order to effect a corresponding acceleration of payment and redemption of a principal amount of the 1999 Bonds Outstanding equivalent to the principal amount of the Mortgage Loan forgiven or cancelled.

Events of Default

Any one or more of the following acts or occurrences constitutes an Event of Default under the Collateral Agreement:

(a) failure by Fannie Mae to pay any amounts due under certain provisions of the Collateral Agreement;

(b) failure by Fannie Mae to perform or observe any covenant, agreement or obligation under the Collateral Agreement, except a failure described in (a) above, if the same will remain uncured for a period of sixty days after written notice of such failure will have been given by the Trustee to Fannie Mae and the Servicer, provided, however, that if such default is curable but requires acts to be done or conditions to be remedied which, by their nature, cannot be done or remedied within such sixty day period, no Event of Default will be deemed to have occurred if Fannie Mae will commence such acts or remedies within such sixty day period and thereafter, will diligently pursue the same to completion as evidenced by a certification signed by an authorized signatory of Fannie Mae; or

(c) any governmental authority takes over the operations of Fannie Mae, or requires Fannie Mae to suspend its operations for more than three Business Days (unless such requirement is applicable to financial institutions generally in the District of Columbia or in the United States), or requires the sale or transfer of all or substantially all of the assets of Fannie Mae.

Basic Remedies

Upon the occurrence and continuance of any Event of Default under the Collateral Agreement, unless such Event of Default has been cured to the Trustee's satisfaction, the Trustee may, at its option, take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, require Fannie Mae to identify and pledge additional Collateral in an amount sufficient to satisfy the Pledged Collateral Requirement and to perform its covenants and obligations under the Collateral Agreement, or enjoin any acts or things which may be unlawful or in violation of the rights of the Trustee;

(b) have access to and inspect, examine and make copies of all of the books and records and any and all accounts and similar data of Fannie Mae pertaining to the Project, the Mortgage Loan or the Pledged Collateral;

(c) take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of Fannie Mae under the Collateral Agreement, or to enforce any other obligation, covenant or agreement of Fannie Mae under the Collateral Agreement;

(d) take any action permitted under the Resolution upon a default under the Resolution; or

(e) exercise its rights as set forth in the Assignment.

The above provisions are subject to the condition that if, after an Event of Default has occurred, all amounts which would then be payable under the Collateral Agreement by Fannie Mae if such Event of Default had not occurred and was not continuing have been paid by or on behalf of Fannie Mae, and Fannie Mae has also performed all other obligations in respect of which it is then in default under the Collateral Agreement, and has paid the reasonable charges and expenses of the Trustee, including reasonable attorney fees (including at the appellate level) paid or incurred in connection with such Event of Default, then and in every such case, such Event of Default may be waived and annulled by the Trustee, but no such waiver or annulment will extend to or affect any subsequent Event of Default or impair any right or remedy exercisable as a result of the occurrence of such Event of Default. The redemption of Pledged Collateral by Fannie Mae pursuant to the provisions of the Collateral Agreement does not necessarily cure any Event of Default by Fannie Mae which may otherwise exist under the Collateral Agreement.

Perfection of Ownership Interest

Upon the occurrence of the Event of Default resulting from Fannie Mae's failure to make payments under the Collateral Agreement or failure to add or substitute Collateral, the Trustee may take all necessary action to (a) identify, obtain and perfect an ownership interest in the Pledged Collateral, (b) collect all cash flow payable under the Pledged Collateral and (c) sell, pledge or otherwise dispose of the Pledged Collateral, all as shall be in the best interests of the Bondholders, and Fannie Mae shall deliver to the Trustee all documents reasonably required by the Trustee to evidence such (i) ownership interest of the Trustee, (ii) right to collect payments and (iii) right to deal with the Pledged Collateral, as described in clauses (a), (b) and (c), hereinabove.

Exercise of Remedies Limited to the Trustee

Subject to the terms of the Resolution, the Trustee has agreed under the Collateral Agreement that no Bondholder shall individually have the right to (a) seek to enforce any provision of the Collateral Agreement, (b) collect amounts which may be payable under this Collateral Agreement or (c) realize on the Pledged Collateral, the cash flow on the Pledged Collateral or the proceeds of the Pledged Collateral. The rights of the Bondholders are governed solely by the Resolution.

Payments by Fannie Mae

Fannie Mae has agreed in the Collateral Agreement that all payments made by Fannie Mae to the Trustee under the Collateral Agreement shall (a) consist of cash flow on the Pledged Collateral or the proceeds received upon a liquidation of Pledged Collateral or (b) be made out of the general funds of Fannie Mae.

Term

The Collateral Agreement is to become effective upon its execution and delivery by Fannie Mae and the Trustee on the Closing Date and is to cease to be in effect on the Termination Date. Notwithstanding the foregoing, the Collateral Agreement will (a) continue beyond the Termination Date solely with respect to (i) Fannie Mae's disgorgement obligations as applicable to any deposit to the Principal Reserve Fund or any payment made by the

Mortgagor or by any member of the Mortgagor, or to any Servicer Advance made by the Servicer, prior to the Termination Date within ninety-one (91) days prior to an Act of Bankruptcy until the earlier of the date on which Fannie Mae has paid to the Trustee the amount recovered or the date on which all applicable statutes of limitations will have expired without a claim having been filed (or if any claim has been filed prior to such expiration, the latter of the date on which such claim has been denied with prejudice by a final order which is no longer subject to appeal or the date on which such claim has been paid by Fannie Mae), and (ii) Fannie Mae's rights under the Collateral Agreement until the latest of (A) the expiration of all of its obligations under the Collateral Agreement (including without limitation its obligations under clause (i) above), (B) the release of the Pledged Collateral to Fannie Mae in accordance with the Collateral Agreement or (C) at Fannie Mae's direction, the assignment of the Mortgage Note Payments Interest, the Trustee's interest in the Mortgage and the Mortgage Note to Fannie Mae and (b) subject to the provision for Liquidity Commitment Termination as set forth in the Collateral Agreement, terminate as a liquidity facility only on the Liquidity Commitment Termination Date, provided that such termination is not to affect Fannie Mae's obligations under the Collateral Agreement.

Interest of Owners of the 1999 Bonds

It is understood by Fannie Mae and the Trustee that Fannie Mae has, under the Collateral Agreement, pledged to the Trustee a security interest in the Pledged Collateral to (a) secure payment of the Mortgage Loan and, therefore, payment of the principal or redemption price (exclusive of premium) of and interest on the 1999 Bonds and (b) provide liquidity for the purchase of Tendered Bonds which have not been remarketed by the Remarketing Agent or, at the written direction of Fannie Mae, purchased with amounts, other than a PRF Letter of Credit, on deposit in the Principal Reserve Fund. Accordingly, it is agreed that the covenants and agreements contained in the Collateral Agreement are for the benefit of the Bondholders and may be enforced on their behalf by the Trustee, subject to the Collateral Agreement.

The Reimbursement Agreement

The Collateral Agreement is issued pursuant to the Reimbursement Agreement which obligates the Mortgagor, among other things, to reimburse Fannie Mae for funds provided by Fannie Mae under the Collateral Agreement and to pay various fees and expenses, in each case as provided in the Reimbursement Agreement. The Reimbursement Agreement governs obligations of the Mortgagor to Fannie Mae on account of Fannie Mae providing credit enhancement for the Mortgage Loan and liquidity support for the 1999 Bonds, the proceeds of which were used to make the Mortgage Loan.

The Reimbursement Agreement sets forth various affirmative and negative covenants of the Mortgagor, including certain financial and operational requirements, some of which are more restrictive than similar covenants in the Loan Agreement.

Set forth below is an abridged or summarized excerpt of the events of default and remedies sections of the Reimbursement Agreement. This excerpt does not purport to be complete or to cover all sections of the Reimbursement Agreement. Reference is made to the Reimbursement Agreement, copies of which are on file with the Corporation, for a complete statement of the rights, duties and obligations of Fannie Mae and the Mortgagor.

Events of Default

The occurrence of any one or more of the following events constitutes an event of default under the Reimbursement Agreement:

(i) the occurrence and continuance of an "Event of Default" as such term is defined under any Borrower Document or the breach beyond any applicable grace period by the Mortgagor of its covenants, agreements or obligations under any Borrower Document; or

(ii) the failure by the Mortgagor to pay any amount due and owing under the Reimbursement Agreement, the Mortgage Note, any Mortgage or any other Borrower Document, other than as set forth in (iii) below; or

(iii) the failure of the Mortgagor to pay any amounts relating to certain fees due and owing under the Reimbursement Agreement within five (5) days after receipt of notice from the Servicer or Fannie Mae that such amounts are due and owing; or

(iv) the failure of the Mortgagor to perform or observe certain covenants set forth in the Reimbursement Agreement; or

(v) the failure by the Mortgagor to perform or observe certain other covenants set forth in the Reimbursement Agreement, within ten (10) days after receipt of notice from the Servicer or Fannie Mae identifying such failure; or

(vi) the failure by the Mortgagor or the manager of the Mortgagor to perform or observe any covenant, condition or agreement required to maintain its status as a single-purpose entity within twenty (20) days after receipt of notice from the Servicer or Fannie Mae identifying such failure, it being agreed by Fannie Mae that, if any inadvertent failure of the Mortgagor to perform or observe any such covenant, condition or agreement cannot be undone retroactively, such failure shall be deemed to be cured if within such 20 day period the Mortgagor corrects such failure prospectively, makes any appropriate economic adjustment that may be required to remedy such failure, and notifies any third party that had been misinformed by reason of such failure that an error had been made; or

(vii) the failure by the Mortgagor to perform or observe any term, covenant, condition or agreement set forth in the Reimbursement Agreement not specified in (i) through (vi) above within thirty (30) days after receipt of notice from the Servicer or Fannie Mae identifying such failure; *provided, however*, that if such failure shall be such that, in Fannie Mae's sole and exclusive judgment, it cannot be corrected within such period, it shall not constitute an "Event of Default" under the Reimbursement Agreement if such failure is correctable, in Fannie Mae's sole and exclusive judgment, without resulting in a material adverse effect on the Mortgagor or the Project and if corrective action is instituted by the Mortgagor within such period and pursued diligently and in good faith, to Fannie Mae's sole and exclusive satisfaction, until the failure is corrected, and provided further that any such failure shall have been cured within ninety (90) days of receipt of notice of such failure; or

(viii) any warranty, representation or other written statement made by the Mortgagor or the manager of the Mortgagor contained in the Reimbursement Agreement, any Borrower Document or in any instrument furnished in compliance with any of the foregoing, is false or misleading in any material respect on any date when made or deemed made; or

(ix) (i) the Mortgagor or the manager of the Mortgagor shall (A) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of its debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, domestic or foreign, (E) admit in writing its inability to pay, or generally not be paying its debts as they become due, (F) make a general assignment for the benefit of creditors, (G) dissolve or liquidate for any reason (whether voluntary or involuntary), (H) take any corporate action for the purpose of effecting any of the foregoing or (I) suffer an attachment or other judicial seizure of any substantial portion of its assets or suffer an execution of a substantial portion of its assets and such seizure is not discharged or released by bonding or the posting of other security acceptable in form and substance to Fannie Mae within thirty days; or (ii) a case or other proceeding shall be commenced against the Mortgagor or the manager of the Mortgagor in any court of competent jurisdiction seeking (A) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of the Mortgagor or the manager of the Mortgagor, or of all or a substantial part of the property, domestic or foreign, of the Mortgagor or the manager of the Mortgagor and any such case or proceeding shall continue undismissed or unstayed for a

period of sixty (60) consecutive calendar days, or any order granting the relief requested in any such case or proceeding against the Mortgagor or the manager of the Mortgagor (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered; or

(x) any material provision of the Reimbursement Agreement or any Borrower Document or the liens and security interests purported to be created under the Reimbursement Agreement or under any Borrower Document shall at any time for any reason cease to be valid and binding in accordance with its terms on the Corporation, the Mortgagor or the manager of the Mortgagor, as the case may be, or shall be declared to be null and void, or the validity or enforceability thereof or the validity or priority of the liens and security interests created under the Reimbursement Agreement or under any Borrower Document shall be contested by the Corporation, the Mortgagor or the manager of the Mortgagor seeking to establish the invalidity or unenforceability thereof or the Corporation, the Mortgagor or the manager of the Mortgagor, as the case may be, shall deny that it has any further liability or obligation under the Reimbursement Agreement or under any Borrower Document; provided, however, in the event of a Corporation contest or denial of further liability or obligation, Fannie Mae must determine in its sole and exclusive judgment, that such contest or denial will have a material adverse effect on Fannie Mae's interest, rights or remedies under the Reimbursement Agreement or under any Borrower Document, or on the collateral pledged to Fannie Mae by the Mortgagor; or

(xi) (a) the execution by the Mortgagor of a chattel mortgage or other security agreement on any materials, fixtures or articles used in the construction or operation of the Project except with respect to leases or chattel mortgages or other similar financing arrangements relating to furniture in the model units and except for immaterial purchase money liens on any personal property incurred in the normal course of business, or (b) any such materials, fixtures or articles are purchased pursuant to any conditional sales contract or other security agreement or otherwise so that the ownership thereof will not vest unconditionally in the Mortgagor free from encumbrances except with respect to leases or chattel mortgages or other similar financing arrangements relating to furniture in the model units, or (c) the Mortgagor does not furnish to Fannie Mae upon request the contracts, bills of sale, statements, receipted vouchers and agreements, or any of them, under which the Mortgagor claims title to such materials, fixtures, or articles; or

(xii) Fannie Mae shall have given the Mortgagor written notice that any Purchased Bonds have not been remarketed within one year following purchase by the Trustee on behalf of the Mortgagor and the Mortgagor has not reimbursed Fannie Mae for the applicable advance and activity fee under the Collateral Agreement and/or has not replenished the withdrawal from the Principal Reserve Fund; or

(xiii) any judgment against the Mortgagor or any member of the Mortgagor or any attachment or other levy against the property of the Mortgagor or any member of the Mortgagor with respect to a claim remains unpaid, unstayed on appeal, undischarged, unbonded, not fully insured or undismissed for a period of thirty (30) days; or

(xiv) failure, upon request, to furnish to Fannie Mae the results of official searches made by any governmental authority, or the failure by the Mortgagor to comply with any requirement of any governmental authority within the time period required by such governmental authority; or

(xv) any other indebtedness of or assumed by the Mortgagor (i) is not paid when due nor within any applicable grace period in any agreement or instrument relating to such indebtedness or (ii) becomes due and payable before its normal maturity by reason of a default or event of default, however described, or any other event of default shall occur and continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness.

Remedies

Upon the occurrence and during the continuance of an "Event of Default" under the Reimbursement Agreement described above, Fannie Mae may, but shall not be obligated to, exercise any or all of the following remedies:

(i) declare all amounts payable by the Mortgagor under the Reimbursement Agreement or the other Borrower Documents to be forthwith due and payable, and the same shall thereupon become due and payable without demand, presentment, protest or notice of any kind, all of which are expressly waived; or

(ii) exercise all or any of its rights and remedies as it may otherwise have under applicable law and under the Reimbursement Agreement or the other Borrower Documents or otherwise by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for specific performance of any covenant or agreement contained in the Reimbursement Agreement or any other Borrower Document, or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy; or

(iii) demand and the Mortgagor shall provide cash collateral or government obligations in the full amount of the outstanding obligations under all of the 1999 Bonds whether or not then due and payable; or

(iv) apply all or any portion of the collateral pledged by the Mortgagor to Fannie Mae to any obligations of the Mortgagor under the Reimbursement Agreement or any other Borrower Document in such amounts, at such times and in such order as determined by Fannie Mae; including among other things, applying funds or directing the Trustee or Servicer, as the case may be, to apply funds on deposit in the Principal Reserve Fund to redeem the 1999 Bonds or to reimbursement of other payment obligations under the Reimbursement Agreement, or any other Borrower Document; or

(v) deliver to the Trustee written notice that an "Event of Default" has occurred under the Reimbursement Agreement and direct the Trustee to take such action pursuant to the Borrower Documents as Fannie Mae may determine, including a request that the Trustee call the 1999 Bonds for mandatory redemption in part or in whole or mandatory tender in part or in whole in accordance with the terms and conditions of the Resolution; or

(vi) instruct the Trustee pursuant to any Collateral Agreement to assign any mortgage document relating to the Mortgagor or the Project including the Mortgage Note Payments Interest to Fannie Mae; or

(vii) have access to and have the right to inspect, examine, have audited and make copies of books and records and any and all accounts, data, and income tax and other tax returns of the Mortgagor; or

(viii) terminate contracts or employment arrangements providing for the management or maintenance of the Project.

Remedy Upon PRF Triggering Event or Failure to Maintain PRF Letter of Credit Following PRF Triggering Event

If the Mortgagor fails to deposit a PRF Letter of Credit to the Principal Reserve Fund following a PRF Triggering Event or fails to amend, supplement, extend or replace the PRF Letter of Credit deposited in the Principal Reserve Fund following a PRF Triggering Event or in the event of a downgrade of the long-term debt obligations of the issuer of the PRF Letter of Credit deposited in the Principal Reserve Fund following a PRF Triggering Event as set forth in the Reimbursement Agreement, Fannie Mae may, but shall not be obligated to, as its only remedy under the Reimbursement Agreement, direct the Trustee to apply all or any funds in the Principal Reserve Fund, including

funds obtained by drawing upon the PRF Letter of Credit prior to its expiration, to redeem or cause the mandatory tender and purchase of the 1999 Bonds in whole or in part (regardless of whether such 1999 Bonds are then scheduled for redemption), at such times and in such amounts as determined by Fannie Mae.

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 1999 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 1999 Bonds, or in any way impair the rights and remedies of such owners until the 1999 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 1999 Bonds, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1999 Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 1999 Bond for any period during which such 1999 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (a) a "substantial user" of the facilities financed with the proceeds of the 1999 Bonds or (b) a "related person." The interest on the 1999 Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In rendering such opinion, Bond Counsel has assumed compliance by the Corporation with its covenant in the Resolution to at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the 1999 Bonds shall be excluded from gross income for Federal income tax purposes.

In the opinion of Bond Counsel, under existing statutes, interest on the 1999 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the 1999 Bonds for purposes of Federal income taxation requires that (i) at least 20% of the units in the Project financed by the 1999 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 50% 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 bonds being refunded by the 1999 Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the Project or (ii) the first date on which no tax-exempt private activity bonds issued with respect to the Project are outstanding. An election has been made by the Mortgagor to treat the Project as a deep rent skewed project which requires that (i) at least 15% of the low income units in the Project be occupied during the Qualified Project Period by individuals whose income is 40 % or less of the median income for the area, (ii) the gross rent of each low income unit in the Project not exceed 30% of the applicable income limit which applies to the individuals occupying the unit and (iii) the gross rent with respect to each low income unit in the Project not exceed one-half of the average gross rent with respect to units of comparable size which are not occupied by individuals who meet the applicable income limit. Under the deep rent skewing election, the Project will meet the continuing low income requirement as long as an individual's income does not increase to more than 170% of the applicable limit. Upon an increase over 170% of the applicable limit, the next available low income unit must be rented to an individual having an income of 40% or less of the area median income.

In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 1999 Bonds, the Treasury Regulations provide that the exclusion of interest from gross income on the 1999 Bonds for Federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 1999 Bonds in order that interest on the 1999 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 1999 Bonds, yield and other limits regarding investment of the proceeds of the 1999 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 1999 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 1999 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 1999 Bonds is payable.

Certain Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 1999 Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 1999 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 1999 Bonds.

As noted above, interest on the 1999 Bonds is a preference item in determining the tax liability of individuals and corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. In addition, interest on the 1999 Bonds must be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Owners of 1999 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S Corporations and certain foreign corporations), financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

Legislation affecting municipal bonds is frequently considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 1999 Bonds will not have an adverse effect on the tax-exempt status of the 1999 Bonds or the market price of the 1999 Bonds.

NO LITIGATION

At the time of delivery and payment for the 1999 Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation stating that there is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 1999 Bonds, or in any way contesting or affecting the validity of the 1999 Bonds or any proceedings of the Corporation taken with respect to the issuance or

sale thereof or the pledge or application of any moneys or security provided for the payment of the 1999 Bonds or the existence or powers of the Corporation.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 1999 Bonds by the Corporation are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Haythe & Curley, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Counsel, Swidler Berlin Shereff Friedman, LLP, Washington, D.C. Certain legal matters will be passed upon for the Underwriter by its Counsel, Orrick, Herrington & Sutcliffe LLP, New York, New York.

LEGALITY OF 1999 BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 1999 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 1999 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.

YEAR 2000 COMPLIANCE

The "Year 2000 Problem" or "Y2K" relates to an early design flaw in computer hardware and software. The Year 2000 Problem is a concern to the Corporation and other entities because of their dependence on computers for their programmatic and financial operations. Many existing computer programs have used only two digits to identify a year assuming that the first two digits will be "19". Unless reprogrammed, non-compliant systems will interpret the year 2000 as 1900, thus impacting both the ability to enter computer data and the ability of computer programs to correctly process data.

There are no practical manual substitutes for many of the most important computer programs which the Corporation depends upon in its daily financial operations. Therefore, failure to achieve Y2K compliance could have an adverse impact on the Corporation's operations or finances.

The Corporation has identified its critical computer programs and is currently in the process of evaluating its Y2K readiness. The Corporation's critical computer programs can be categorized as follows: 1) programs that have been created specifically for the Corporation's functions and 2) commercially available applications. As to the Corporation's programs, two significant applications have been tested and, after minimal programming changes were made, were determined to be Y2K compliant. The other critical programs of the Corporation are currently being tested and it is anticipated that major modifications will not be required to achieve compliance. The Corporation's commercial applications are in the process of being upgraded by the vendor. The vendor has represented that such upgrades will make such programs Y2K compliant. The cost of the necessary testing, updates and improvements for all of the above has been budgeted for as part of an overall upgrade of the Corporation's computer operations and is not expected to have a material adverse effect on the operations and finances of the Corporation. The Corporation's critical systems are expected to achieve Y2K compliance by mid-1999.

The Corporation also relies upon other entities to provide information to, or processing for, the Corporation's operations and activities, including the making of payments to the Corporation and on the Corporation's debt obligations. The Corporation is conducting a survey of Y2K compliance by these other entities and is in the process of evaluating the information regarding their respective states of compliance as it is received. The Corporation has asked the Trustee, the Servicer and Fannie Mae for information regarding the status of their Y2K compliance. The Servicer has informed the Corporation that its computer programs are either in Y2K compliance or are undergoing testing and remediation. The Corporation has asked the Trustee for information regarding the status of its Y2K compliance and the Trustee has informed the Corporation that its computer programs are either in Y2K compliance or are undergoing testing and remediation. Fannie Mae has informed the Corporation that information regarding efforts relating to Fannie Mae's Y2K compliance is contained in its Information Statement dated March 31, 1999. The actions of these other entities are not within the Corporation's direct control. Therefore, the Corporation can give no assurance that the failure by any of these other entities to achieve timely Y2K compliance will not affect the ability of Bondholders to receive timely payments on the 1999 Bonds.

FURTHER INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the 1999 Bonds that there has been no change in the affairs of the Corporation from the date hereof. Pursuant to the Resolution, the Corporation has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the Trustee and the owners of not less than 5% of the 1999 Bonds issued thereunder during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 1999 Bond.

Additional information may be obtained from the undersigned at 75 Maiden Lane, 8th Floor, New York, New York 10038, (212) 344-8080.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Corporation and the purchasers or owners of any 1999 Bonds.

This Official Statement is submitted in connection with the sale of the 1999 Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement and the distribution thereof have been duly authorized and approved by the Corporation and the Official Statement has been duly executed and delivered on behalf of the Corporation.

NEW YORK CITY HOUSING DEVELOPMENT
CORPORATION

By: /s/ CHARLES A. BRASS
Charles A. Brass
First Senior Vice President

Dated: June 11, 1999

APPENDIX A

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, Collateral Agreement, 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, Collateral Agreement, Reimbursement Agreement, Assignment and Mortgage Note for the 1999 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, including the Principal Reserve Fund.

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

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Mortgagor, the manager 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 1999 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.

"Alternate Security" means any instrument in effect and purpose similar to the Initial Credit Facility, including, but not limited to, a letter of credit, guaranty, standby loan commitment, bond or mortgage insurance policy, standby purchase agreement, collateral agreement or surety bond, mortgage-backed security or other credit or liquidity facility issued by a financial institution, including, without limitation, Fannie Mae, or any combination thereof, (i) approved by the Corporation and delivered to the Trustee for the benefit of the owners of the Bonds (except that a mortgage insurance policy may be delivered to the Corporation), (ii) replacing any existing Credit Facility, (iii) dated as of a date not later than the expiration date of the Credit Facility for which the same is to be substituted, if a Credit Facility is then in effect, (iv) which shall expire not earlier than a date which is 15 days after an Interest Payment Date for the Bonds (other than the maturity date of the Bonds), and (v) issued on substantially similar terms and conditions with respect to the rights of the owners of the Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Credit Facility, provided that (a) the stated amount of the Alternate Security shall equal the sum of (x) the aggregate principal amount of 1999 Bonds at the time Outstanding, plus (y) the Interest Requirement, and (b) said Alternate Security must provide for payment of the Purchase Price upon the exercise by any Bond owner of the applicable Demand Purchase Option.

"Ancillary Collateral Agreement" means the Replacement Reserve Agreement entered into by the Corporation and the Mortgagor dated the date of the Mortgage, and any similar agreement entered into by the Mortgagor and the Corporation as of the date of the Mortgage in connection with the Mortgage Loan.

"Assignment" means the Assignment and Agreement, with respect to, among other things, the Mortgage Loan, by and among the Corporation, the Trustee and the Credit Facility Provider, as their interests may appear, and acknowledged and agreed to by the Mortgagor, as the same may be amended or supplemented from time to time.

"Authorized Officer" means (a) when used with respect to the Corporation, the Chairperson, Vice Chairperson, President, First Senior Vice President or any other Senior Vice President of the Corporation and, in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Corporation then authorized to perform such act or discharge such duty; (b) when used with respect to the Mortgagor, the

manager 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 Amount" means, at any time, an amount equal to (i) the aggregate principal amount of 1999 Bonds Outstanding plus an amount equal to the accrued interest on the 1999 Bonds Outstanding for up to 35 days at the Maximum Rate computed on the basis of a 365- or 366-day year, and (ii) the Issuer Fees; the amount so calculated shall in each instance as reduced by that amount, if any, previously provided by Fannie Mae to the Trustee to enable the Trustee to purchase Purchased Bonds, such reduction to be in an amount equal to one hundred percent (100%) of the principal amount of such Purchased Bonds plus the accrued interest, if any, paid with respect to such Purchased Bonds, provided that, following any provision of funds under the Collateral Agreement with respect to Purchased Bonds, the amount provided (and the amount by which the Available Amount is reduced) shall be reinstated (a) automatically, when and to the extent that (1) Fannie Mae has received reimbursement for such amount in immediately available funds, or has received written confirmation from the Trustee that the Trustee has received from the Tender Agent immediately available funds which it will immediately remit to Fannie Mae as reimbursement for such amount, and (2) the Tender Agent has delivered to Fannie Mae, by telecopy transmission to the Manager, Multifamily Operations, or to such other office or Fannie Mae employee as Fannie Mae shall designate by written notice to the Tender Agent (with confirmation of the telecopy transmission by (A) telephone call to the Manager, Multifamily Operations, or to such other office or Fannie Mae employee as Fannie Mae shall designate by written notice to the Tender Agent, and (B) mailed original sent concurrently by certified first class mail, postage fully prepaid, to the Director, Multifamily Operations), a certificate in the form attached to the Collateral Agreement as Exhibit A, appropriately completed and executed by an officer of the Tender Agent or (b) at such time as and to the extent that Fannie Mae, in its discretion, advises the Trustee in writing that such reinstatement shall occur, it being understood that Fannie Mae shall have no obligation to grant any such reinstatement except as expressly provided in the foregoing clause (a).

"Bankruptcy Code" means Title 11 of the United States Code, entitled "Bankruptcy", as now in effect and as amended from time to time in the future, or any successor provisions of federal law.

"Beneficial Owner" means, whenever used with respect to a 1999 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" means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation after consultation with the Credit Facility Provider and the Mortgagor, and satisfactory to the Trustee.

"Bond Counsel's Opinion" means an opinion signed by Bond Counsel.

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

"Bond Proceeds Account" means the Bond Proceeds Account established pursuant to the Resolution.

"Bond Year" means a twelve-month period ending on the fifteenth day of June of any year.

"Borrower Document" means any mortgage document or bond document relating to the Project.

"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.

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

"Change Date" means (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Facility Provider pursuant to the provisions of the Resolution for carrying out a purchase of the 1999 Bonds pursuant to the Resolution in connection with an Event of Termination or (iv) a date specified by the Corporation pursuant to the provisions of the Resolution for carrying out a purchase of 1999 Bonds pursuant to the Resolution in connection with a Notice of Prepayment of the Mortgage Loan in Full.

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

"Closing Date" means the date the 1999 Bonds are issued and delivered.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means (a) Collateral Mortgages and (b) securities, obligations and participation interests that are described in the Collateral Agreement, including the cash flow on such securities, obligations and participation interests, but only upon the determination of Fannie Mae as set forth in the Collateral Agreement.

"Collateral Agreement" means the Collateral Agreement, dated the date of initial issuance of the 1999 Bonds, between Fannie Mae and the Trustee, as such Collateral Agreement may be amended, modified, supplemented or restated from time to time.

"Collateral Mortgages" means those residential mortgages owned by Fannie Mae that are described in the Collateral Agreement, including the cash flow on those residential mortgages.

"Collateral Redemption Notice" means telephonic notice by the Trustee to Fannie Mae (with a copy to the Servicer) not later than 10:00 a.m., Washington, D.C. time, on a Purchase Date (immediately confirmed by written notice given by facsimile and by first class mail, postage fully prepaid) (a) stating:

(i) that tendered 1999 Bonds which have not been remarketed are to be purchased by the Trustee on behalf of and as agent for the Mortgagor on that Purchase Date pursuant to the Resolution;

(ii) the amount, if any, on deposit under the Resolution and available to purchase tendered 1999 Bonds, including the amount, if any, on deposit in the Principal Reserve Fund, but not a PRF Letter of Credit, that will be used, at Fannie Mae's written direction, to fund the purchase of the tendered 1999 Bonds which have not been remarketed;

(iii) the aggregate Purchase Price of the tendered 1999 Bonds which have not been remarketed and that will be purchased with funds available therefor on deposit under the Resolution, including, at Fannie Mae's written direction, with funds on deposit in the Principal Reserve Fund, but not a PRF Letter of Credit, and the amounts of such aggregate Purchase Price representing principal and accrued interest due and payable to the owners of the tendered 1999 Bonds;

(iv) the aggregate Purchase Price of the tendered 1999 Bonds which have not been remarketed and that will not be purchased with funds available therefor on deposit under the Resolution due to an insufficiency thereof, including funds on deposit in the Principal Reserve Fund, but not a PRF

Letter of Credit, and the amounts of such aggregate Purchase Price representing principal and accrued interest due and payable to the owners of the tendered 1999 Bonds; and

(v) the amount required to be provided by Fannie Mae under the Collateral Agreement to pay the aggregate Purchase Price of tendered 1999 Bonds which have not been remarketed and that cannot be purchased with funds on deposit under the Resolution due to the insufficiency thereof or unavailability thereof for such purpose, including funds on deposit in the Principal Reserve Fund, but not a PRF Letter of Credit, and the amounts of such aggregate Purchase Price representing principal and accrued interest due and payable to the owners of the tendered 1999 Bonds;

and (b) requesting payment from Fannie Mae in the amount of the insufficiency through a mandatory redemption of Pledged Collateral in accordance with the Collateral Agreement.

"Commitment" means the Financing Commitment and Agreement dated as of May 5, 1999, as amended, between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

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

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale and issuance of Bonds, including but not limited to underwriting discount or fee, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and the Credit Facility Provider, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit 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 Initial Credit Facility, the Reimbursement Agreement, dated as of June 1, 1999, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

"Credit Facility" means the Initial Credit Facility or Alternate Security, as the case may be, then providing for the timely payment of the principal of and interest on and Purchase Price, if applicable, of the Bonds.

"Credit Facility Payments" means amounts obtained under a Credit Facility with respect to the Bonds.

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

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

"Demand Purchase Option" means the provision of the 1999 Bonds for purchase of any 1999 Bond upon the demand of the owner thereof as described in the Resolution.

"Due Date" means the fifth (5th) Business Day prior to each Interest Payment Date.

"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.

"Facility Change Date" means (i) any date on which a new Credit Facility replaces the prior Credit Facility (but not including any substitution for the Initial Credit Facility as specified in the definition of "Initial Credit Facility"), or (ii) any date on which the Credit Facility terminates or expires and is not extended or replaced by a new Credit Facility.

"Facility Fee" means the fee payable by the Mortgagor to the Servicer for remittance to Fannie Mae in consideration of Fannie Mae providing the Collateral Agreement for the 1999 Bonds, calculated and payable in accordance with the Mortgage Note.

"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.

"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.

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

"Initial Credit Facility" means the Collateral Agreement, dated the date of the initial issuance of the 1999 Bonds, between the Initial Credit Facility Provider and the Trustee, as the same may be amended, modified or supplemented from time to time and shall also include any substitute therefor provided by the Initial Credit Facility Provider meeting the requirements of the Loan Agreement, as such substitute may be amended, modified or supplemented from time to time.

"Initial Credit Facility Provider" means Fannie Mae.

"Interest Method Change Date" means any date on which the method of determining the interest rate on the 1999 Bonds changes, as established by the terms and provisions of the Resolution; provided that an Interest Method Change Date may only occur on an Interest Payment Date or if such day is not a Business Day, the next succeeding Business Day.

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

"Interest Requirement" means 35 days' interest on the Bonds at the Maximum Rate or such other number of days as may be permitted or required by the Rating Agency.

"Interest Reserve Deficiency" means, as of any Interest Payment Date, an amount equal to the difference between the amount of the interest payment due on such Interest Payment Date and the sum of (x) the interest portion of the Required Mortgage Payment made by or which should have been made by the Mortgagor under the Mortgage Note by the Due Date immediately prior to such Interest Payment Date, plus (y) the amount of the Interest Reserve Requirement on deposit in the Revenue Account.

"Interest Reserve Deficiency Payment" means payment of the Interest Reserve Deficiency.

"Interest Reserve Deficiency Payment Notice" means, with respect to an Interest Reserve Deficiency Payment due to the Trustee, telephonic notice (immediately confirmed by written notice in the form of an exhibit to the Collateral Agreement given by facsimile and by first class mail, postage fully prepaid) by the Trustee to Fannie Mae and the Servicer at the earliest practical time on the Weekly Rate Determination Date immediately prior to the applicable Interest Payment Date but not later than 5:00 p.m., Washington, D.C. time (a) stating:

(i) that an Interest Payment Date will occur and the date of the Interest Payment Date;

(ii) that an interest payment is due to the Bondholders on the Interest Payment Date and the amount of the interest payment;

(iii) that an Interest Reserve Deficiency exists, and the amount of the Interest Reserve Deficiency;

(iv) the amount of the Required Fannie Mae Payment (calculated as provided in the Collateral Agreement) necessary to fund the insufficiency caused by the Interest Reserve Deficiency;

(v) the amount, if any, other than a PRF Letter of Credit, held by and available to the Trustee in the Principal Reserve Fund that, at Fannie Mae's written direction, could be applied to satisfy all or a portion of the Interest Reserve Deficiency.

(vi) the amount, if any, held by and available to the Trustee under the Resolution (including the amounts on deposit in the Revenue Account other than the Interest Reserve Requirement) that will be applied to satisfy all or a portion of the Interest Reserve Deficiency, but excluding amounts and/or a PRF Letter of Credit on deposit in the Principal Reserve Fund that, at Fannie Mae's written direction, could be applied to satisfy all or a portion of the Interest Reserve Deficiency;

(vii) that the Trustee requires payment of the insufficiency by Fannie Mae by means of a Required Fannie Mae Payment or from all or a portion of the amounts described in the foregoing clause(s) (a)(v) and (a)(vi);

and (b):

(i) requesting written direction from Fannie Mae as to the amount, if any, other than a PRF Letter of Credit, held by and available to the Trustee in the Principal Reserve Fund, that is to be applied to satisfy all or a portion of the Interest Reserve Deficiency; and

(ii) to the extent the aggregate amount contained in the written direction, if any, described in the foregoing clause (b) (i) above together with the amount described in the foregoing clause (a)(vi) is less than the Required Fannie Mae Payment identified in clause (a) (iv) above, requesting payment in the amount of the insufficiency in accordance with the Collateral Agreement.

"Interest Reserve Requirement" means an amount equal to the amount of interest payable on the aggregate principal amount of 1999 Bonds then Outstanding calculated at the rate of five and six-tenths percent (5.6%) per annum or such other rate (but not less than five and six-tenths percent (5.6%) per annum nor more than the Maximum Rate) as set forth, from time to time, in a Certificate from the Credit Facility Provider or the Servicer furnished to the Trustee (with a copy to the Corporation).

"Interest Reserve Requirement Payment" means payment of an amount equal to the Interest Reserve Requirement as of the date of initial issuance of the 1999 Bonds and any subsequent payment as a result of any increase in the Interest Reserve Requirement from time to time.

"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 Initial Credit Facility is in effect,

(a) obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, the full faith and credit of the United States of America;

(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 shall be rated in the highest rating category by Moody's and S&P;

(c) obligations of any state or territory of the United States of America, or any agency, instrumentality, authority, political subdivision thereof or public benefit or municipal corporation, the interest on which is payable on a current basis, which obligations shall be rated in the highest rating category by Moody's and S&P;

(d) any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated A-1+ by S&P and in the highest rating category by Moody's;

(e) commercial paper rated A-1+ by S&P and in the highest rating category by Moody's;

(f) (i) interest-bearing negotiable certificates of deposit, interest-bearing time deposits, interest-bearing savings accounts or bankers' acceptances, issued by a Qualified Financial Institution whose unsecured short-term obligations are rated A-1+ by S&P and in the highest rating category by Moody's, or (ii) interest-bearing negotiable certificates of deposit, interest-bearing time deposits or interest-bearing savings accounts, issued by a Qualified Financial Institution if such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation;

(g) an agreement for the investment of moneys at a guaranteed rate held by the Trustee with (i) a Qualified Financial Institution whose unsecured long-term obligations are rated AAA by S&P and in the highest rating category by Moody's; provided that such agreement shall be in a form acceptable to the Credit Facility Provider; provided further that such agreement shall include, without limitation, the following restrictions:

(1) the invested funds shall 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 credited, or (B) any Rating Agency indicates that it will lower or actually lowers the rating on the Bonds on account of the rating of the Qualified Financial Institution providing the agreement;

(2) the investment agreement shall be the unconditional and general obligation of, and shall not be subordinated to any other obligation of, the provider thereof;

(3) the Trustee shall receive an opinion of counsel that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms; and

(4) the agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below the second highest rating category, the provider must, at the direction of the Trustee (who shall give such direction if so directed by the Credit Facility Provider), within 10 days of receipt of such direction, either (A) post collateral of the type described in subparagraph (a) or (b) above with the Trustee or a third party custodian, in an amount sufficient to retain the then current rating on the Bonds, if the agreement is not already so collateralized, or (B) repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee; or

(ii) the Credit Facility Provider;

(h) money market mutual funds (including those of the Trustee and its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAm-G or AAAm by S&P and Aaa by Moody's; provided that the portfolio of such money market mutual fund is limited to obligations described in (x) subparagraph (a) above and to agreements to repurchase such obligations, or (y) subparagraphs (b) or (c) above and approved in writing by the Credit Facility Provider; and

(i) any other investment authorized by the laws of the State, if such investments are approved in writing by the Credit Facility Provider and each Rating Agency;

provided that Investment Securities shall not include the following: (s) any investments with a final maturity or any agreements with a term greater than 6 months from the date of the investment (except (i) obligations that provide for the optional or mandatory tender, at par, by the holder thereof at least once within 6 months of the date of purchase, (ii) any investments listed in subparagraph (a) above that are irrevocably deposited with the Trustee for payment of Bonds pursuant to the defeasance section of the Resolution, and (iii) agreements listed in subparagraph (g) above), (t) any obligation with a purchase price greater or less than the par value of such obligation (except for obligations described in subparagraphs (a) and (b) above), (u) mortgage backed securities, real estate mortgage investment conduits or collateralized mortgage obligations, (v) interest-only or principal-only stripped securities, (w) obligations bearing interest at inverse floating rates, (x) investments which may be prepaid or called at a price less than the purchase price thereof prior to stated maturity, (y) 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, or (z) an investment described in subparagraph (d) or (g) above with a Qualified Financial Institution described in clause (iv) of the definition thereof 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; and provided further that if any such investment described in subparagraphs (b) through (i) above is required to be rated, such rating requirement will not be satisfied if such rating is evidenced by the designation of an "r" or a "t" highlighter affixed to its rating.

(B) So long as the Initial 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 Farm Credit System Banks, Federal Home Loan Banks, Tennessee Valley Authority and Export Import Bank of the United States;

(3) any bond, debenture, note, participation certificate or other similar obligation issued by Fannie Mae to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by any other 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 then be purchased with funds belonging to the Corporation;

(5) deposits in interest-bearing time or demand deposits, or certificates of deposit, secured by any of the obligations described above or insured by the Federal Deposit Insurance Corporation or its successor;

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

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

"Issuer Fee" means that portion of the Administrative Fee representing the regularly scheduled monthly servicing fee of .125% per annum of the outstanding principal balance of the Mortgage Note, payable to the Corporation pursuant to the terms of the Mortgage Note.

"Liquidity Commitment" means the obligation of Fannie Mae to provide funds to the Trustee, as provided in the Collateral Agreement, to enable the Trustee to purchase, on behalf of and as agent for the Mortgagor, Tendered 1999 Bonds which have not been remarketed by the Remarketing Agent pursuant to the Remarketing Agreement and, therefore, with respect to which there are no proceeds of remarketing, and for the purchase of which funds, other than the PRF Letter of Credit, on deposit in the Principal Reserve Fund are either insufficient or not available for use by the Trustee to purchase tendered 1999 Bonds because the Trustee has not received Fannie Mae's written direction to use funds on deposit in the Principal Reserve Fund for that purpose.

"Liquidity Commitment Termination Date" means the day immediately following the earliest of (a) the Maturity Date, (b) the date on which the interest rate on the 1999 Bonds is fixed to the Maturity Date, (c) the Facility Change Date on which an Alternate Security is substituted for the Collateral Agreement or (d) Fannie Mae's receipt of written notice from the Trustee terminating the Collateral Agreement upon the Trustee's receipt of sufficient funds to provide for payment in full of the 1999 Bonds.

"Loan Agreement" means the Financing Agreement, dated as of June 1, 1999, 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 1999 Bonds for the purchase of any 1999 Bonds on any Change Date pursuant to the Resolution.

"Maturity Date" means the maturity date of the 1999 Bonds.

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

"Monthly Bond Debt Service Period" means, with respect to any regularly scheduled monthly Interest Payment Date occurring at such time as the Weekly Rate is in effect, the period from and including the immediately preceding regularly scheduled monthly Interest Payment Date (or, with respect to the initial regularly scheduled monthly Interest Payment Date, the period from and including the Closing Date) to, but excluding, the Interest Payment Date.

"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 the date of initial issuance of the 1999 Bonds, executed by the Mortgagor with respect to the Project, as the same may be amended, modified or supplemented from time to time.

"Mortgage Documents" means, collectively, (a) the Mortgage, (b) the Mortgage Note and (c) all other documents evidencing, securing or otherwise relating to the Mortgage Loan, other than the 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 Loan Payment Default, Interest Reserve Deficiency Notice" means one notice from the Trustee to Fannie Mae in the form of an exhibit to the Collateral Agreement, containing Mortgage Loan Payment Default Notice and Interest Reserve Deficiency Notice information.

"Mortgage Loan Payment Default Notice" means, with respect to Required Mortgage Payments due to the Trustee on a Due Date, telephonic notice (immediately confirmed by written notice in the form of an exhibit to the Collateral Agreement given by facsimile and by first class mail, postage fully prepaid) by the Trustee to Fannie Mae and the Servicer not later than 4:00 p.m., Washington, D.C. time, on the Business Day immediately following the Due Date (a) stating:

(i) that the Trustee has not received one or more of the Required Mortgage Payments due to the Trustee by the Due Date and the amount of such Required Mortgage Payment(s) that the Trustee has not received by the Due Date;

(ii) that an Interest Payment Date will occur and the date of the Interest Payment Date;

(iii) that a payment is due (a) to the Bondholders on the Interest Payment Date, the amount of the payment and, if the payment is for both principal and interest, the respective amounts of each and/or (b) to the Issuer for the Issuer Fee and the amount of the payment;

(iv) the amount of the Required Fannie Mae Payment necessary to fund the difference between payments that are identified in clause (a) (iii) above and the amount of the Required Mortgage Payment(s) identified in clause (a)(i) above that have not been received by the Trustee as of the Due Date;

(v) the amount, if any, other than a PRF Letter of Credit, held by and available to the Trustee in the Principal Reserve Fund that, at Fannie Mae's written direction, could be applied to satisfy all or a portion of the Required Mortgage Payment(s) in default;

(vi) the amount, if any, held by and available to the Trustee under the Resolution (including the amounts on deposit in the Revenue Account other than the Interest Reserve Requirement) that will be applied to satisfy all or a portion of the Required Mortgage Payment(s) in default but excluding amounts and/or a PRF Letter of Credit on deposit in the Principal Reserve Fund that, at Fannie Mae's written direction, could be applied to satisfy all or a portion of the Required Mortgage Payments in default;

(vii) that the Trustee requires payment of the insufficiency by Fannie Mae by means of a Required Fannie Mae Payment or from all or a portion of the amounts described in the foregoing clauses (a)(v) and (a)(vi);

and (b):

(i) requesting written direction from Fannie Mae as to the amount, if any, other than a PRF Letter of Credit, held by and available to the Trustee in the Principal Reserve Fund, that is to be applied to satisfy all or a portion of the Required Mortgage Payment(s) in default; and

(ii) to the extent the aggregate amount contained in the written direction, if any, described in the foregoing clause (b) (i) above together with amount described in the foregoing clause (a)(vi) is less than the Required Fannie Mae Payment identified in clause (a) (iv) above, requesting payment in the amount of the insufficiency in accordance with the Collateral Agreement.

"Mortgage Note" means the Multifamily Note (together with all addenda to the Multifamily Note), evidencing the Mortgage Loan, dated the date of initial issuance of the 1999 Bonds, executed by the Mortgagor in favor of the Corporation, with respect to the Project, as the same may be amended, modified or supplemented from time to time.

"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 other than (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.

"Mortgagor" means 92nd Realty LLC, a limited liability company organized and existing under and by virtue of the laws of the State of Delaware, which is the mortgagor with respect to the Mortgage Loan, and its successors and permitted transferees as owner of the Project.

"1999 Bonds" means the Multi-Family Rental Housing Revenue Bonds (Brittany Development), 1999 Series A authorized to be issued pursuant to the Resolution.

"Notice of Prepayment of the Mortgage Loan in Full" means the notice delivered to the Trustee by the Corporation pursuant to the provisions of the Resolution with respect to the Mortgagor's election to prepay, in full, the Mortgage Loan.

"Outstanding" means, when used with reference to Bonds, 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 in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and

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

"Participants" means those broker-dealers, banks and other financial institutions for which DTC holds the 1999 Bonds as securities depository.

"Pass-Through Rate" shall have the meaning given that term in the Mortgage Note as being a rate which shall be a variable rate of interest which shall float with, and be equal to, and change with, the Weekly Rate.

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

"Pledge Agreement" means, with respect to the Initial Credit Facility Provider and the Initial Credit Facility, the Pledge, Security and Custody Agreement, dated as of June 1, 1999, among the Mortgagor, the Trustee, as custodian and collateral agent for the Initial Credit Facility Provider, and the Initial Credit Facility Provider, and with respect to any other Credit Facility Provider providing an Alternate Security and such Alternate Security, any agreement between the Mortgagor and the Credit Facility Provider or the Trustee pursuant to which the Mortgagor agrees to pledge 1999 Bonds to the Credit Facility Provider in connection with the provision of moneys under the Alternate Security, in each case, as the same may be amended, modified or supplemented from time to time.

"Pledged Collateral" means (a) the Collateral described in the Collateral Agreement that is pledged to the Trustee pursuant to the Collateral Agreement, and which is, as of the Closing Date, described in Schedule I to the Collateral Agreement, without regard to whether specific Collateral has been identified to the Trustee by Fannie Mae, and (b) all proceeds and collections derived from or in connection with the Collateral described in the foregoing clause (a) (net of any mortgage servicing fees on Collateral Mortgages), including all payments of principal and interest on the Collateral described in the foregoing clause (a) and any insurance proceeds, including FHA insurance proceeds, with respect to pledged Collateral Mortgages.

"Pledged Collateral Requirement" means, with respect to any applicable date, the requirement that, (i) the outstanding principal amount of the Pledged Collateral be an amount equal to the then applicable Available Amount and (ii) the cash flow (*i.e.*, payments of principal and interest) on the Pledged Collateral (net of servicing fees on Collateral Mortgages) payable during each Monthly Bond Debt Service Period, determined without regard to earnings from the investment of the cash flow on the Pledged Collateral, shall be not less than (1) one hundred percent (100%) of the interest payable on the 1999 Bonds on the Interest Payment Date immediately succeeding the Monthly Bond Debt Service Period and (2) the Issuer Fee.

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

"PRF Letter of Credit" means one or more letters of credit naming the Trustee as the beneficiary, meeting the requirements set forth in the Reimbursement Agreement and the Resolution and issued by a financial institution satisfactory to the Credit Facility Provider with long-term debt obligations rated (i) in the case of a PRF Letter of Credit delivered to the Trustee in accordance with the Resolution due to the occurrence of and continuation of a PRF Triggering Event, at least "A" by S&P and Moody's and (ii) in the case of any other PRF Letter of Credit, at least "AA" by S&P and "Aa" by Moody's.

"PRF Triggering Event" means the failure of the Mortgagor to maintain the debt service coverage ratio required under the Reimbursement Agreement.

"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 United States Trust Company of New York, 114 West 47th Street, New York, New York 10036, when used with respect to the Tender Agent shall mean the same address as that of the Trustee or the address of any successor Tender Agent appointed in accordance with the terms of the Resolution, and when used with respect to the Remarketing Agent shall mean Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004 or such other offices designated to the Corporation in writing by the Trustee, Tender Agent or Remarketing Agent, as the case may be.

"Principal Reserve Amount" means $11,400,000 or such other amount as shall be specified in writing by the Credit Facility Provider and filed with the Corporation and the Trustee; provided that such other amount shall only constitute the Principal Reserve Amount if there shall also be filed with the Corporation and the Trustee a Bond Counsel's Opinion to the effect that such change in the Principal Reserve Amount will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any Bonds to which the tax covenants of the Resolution apply.

"Principal Reserve Fund" means the Principal Reserve Fund established pursuant to the Resolution.

"Project" means the multifamily rental housing development, located at 1775 York Avenue in the Borough of Manhattan and County of New York, City and State of New York, as more fully described under the caption "THE PROJECT AND THE MORTGAGOR – The Project" herein.

"Purchase Date" means, prior to the Liquidity Commitment Termination Date (a) any Business Day specified by a Bondholder as the date on which 1999 Bonds owned by such Bondholder are to be purchased in accordance with the provisions of the Resolution and (b) each Change Date on which the 1999 Bonds are subject to mandatory tender in accordance with the Resolution.

"Purchased Bond" means any 1999 Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Mortgagor with funds on deposit in the Principal Reserve Fund but not a PRF Letter of Credit and available upon written direction of the Credit Facility Provider to the Trustee or with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such 1999 Bond is remarketed to any person other than the Credit Facility Provider, the Mortgagor, any member of the Mortgagor or the Corporation.

"Purchase Price" means, with respect to any Tendered Bond, an amount equal to the sum of (a) one hundred percent (100%) of the principal amount of such Tendered Bond and (b) the accrued interest, if any, on such Tendered Bond to, but excluding, the Purchase Date.

"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, or (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.

"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 Business Day immediately preceding any Interest Payment Date.

"Recoveries of Principal" means all amounts received by the Corporation or the Trustee as or representing a recovery of the principal amount disbursed by the Trustee in connection with the Mortgage Loan, including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Mortgage Loan, at the option of the Mortgagor; (ii) the sale, assignment, endorsement or other disposition of the Mortgage Loan, the Mortgage or the Mortgage Note other than any assignment pursuant to the Assignment; (iii) the acceleration of payments due under the Mortgage Loan or the remedial proceedings taken in the event of default on the Mortgage Loan or Mortgage; (iv) proceeds of any insurance award resulting from the damage or destruction of the Project which are to be applied to payment of the Mortgage Note pursuant to the Mortgage, together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such damage or destruction; or (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Project or

any portion thereof, which proceeds are to be applied to payment of the Mortgage Note pursuant to the Mortgage together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such condemnation 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 Second Amended and Restated Regulatory Agreement, dated as of the date of initial issuance of the 1999 Bonds, by and between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

"Reimbursement Agreement" means, with respect to the Initial Credit Facility, the Reimbursement Agreement, dated as of June 1, 1999, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

"Remarketing Agent" means, with respect to the 1999 Bonds, Goldman Sachs & Co., or any of its successors appointed in accordance with the terms of the Resolution.

"Remarketing Agreement" means, with respect to the 1999 Bonds, the Remarketing Agreement, dated as of the date of initial issuance of the 1999 Bonds, by and among the Mortgagor, the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any replacement thereof.

"Replacement PRF Letter of Credit" means a PRF Letter of Credit effective as of July 1, 2009 delivered to replace the then existing PRF Letter of Credit in connection with a revision in the Principal Reserve Schedule attached to the Mortgage Note if permitted under the Credit Agreement.

"Required Fannie Mae Payment" means a payment required to be made by Fannie Mae to the Trustee pursuant to the Collateral Agreement upon Fannie Mae's receipt of, as applicable, a Mortgage Loan Payment Default Notice, an Interest Reserve Deficiency Payment Notice or a Mortgage Loan Payment Default, Interest Reserve Deficiency Notice.

"Required Mortgage Payment" means, with respect to the Mortgage Loan, subject to the exclusions set forth below, the following payments: (a) only the regularly scheduled monthly payments of interest, at the Mortgage Note rate, due under the Mortgage Note, which payments under the Mortgage Note are due and payable on the first day of the month immediately following the month to which the payment is attributable, (b) on the maturity date of the Mortgage Note, the unpaid principal balance of the Mortgage Note and all accrued and unpaid interest due on the Mortgage Note as of the maturity date of the Mortgage Note and (c) solely for purposes of the Collateral Agreement the Issuer Fee; a payment described in clauses (a), (b) or (c) above shall constitute a Required Mortgage Payment whether made by the Mortgagor or by the Servicer as a Servicer Advance. "Required Mortgage Payment" does not mean, with respect to the Mortgage Loan, and expressly excludes, (v) any Interest Reserve Deficiency Payment, and (w) all other payments due or payable under the Mortgage Note, the Mortgage and the other Mortgage Documents, such exclusion to extend expressly, without limitation, to (1) any prepayment of principal and accrued and unpaid interest on the Mortgage Note attributable to such principal, including any payments in respect of the principal of, premium, if any, and interest on, the 1999 Bonds payable to the Bondholders upon a redemption of 1999 Bonds occasioned by a prepayment of the Mortgage Loan, (2) late charges, (3) default interest, (4) escrow payments for reserves, taxes, insurance and other impositions and (5) payments pursuant to any Ancillary Collateral Agreement, (x) any payments on the Mortgage Loan to be made for deposit into the Principal Reserve Fund, (y) payments on the Mortgage Loan in respect of the principal of, and the interest on, any Purchased

Bond, any other 1999 Bond registered in the name of or owned by the Mortgagor or any 1999 Bond which is not Outstanding under the Resolution and (z) that portion of the Mortgage Note rate that comprises the Set Rate.

"Required PRF LOC Amount" means, with respect to any PRF Letter of Credit deposited in the Principal Reserve Fund in accordance with the Reimbursement Agreement, an amount equal to the lesser of: (x) the sum of the amounts required under the Mortgage Note to be on deposit in the Principal Reserve Fund, or (y) the Principal Reserve Amount.

"Resolution" means the Multi-Family Rental Housing Revenue Bonds (Brittany Development) Bond Resolution adopted by the Corporation on May 6, 1999 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.

"Schedule I" means Schedule I to the Collateral Agreement as such Schedule may be amended, modified, supplemented or restated at any time and from time to time.

"Schedule II" means Schedule II to the Collateral Agreement as such Schedule may be amended, modified, supplemented or restated at any time and from time to time.

"Schedule III" means Schedule III to the Collateral Agreement as such Schedule may be amended, modified, supplemented or restated at any time and from time to time.

"Series" means the 1999 Bonds or any series of Additional Bonds.

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

"Servicer Advance" means any advance by the Servicer of any amount payable under the Mortgage Note upon the Mortgagor's failure to pay such amount when due, including, without limitation, a Required Mortgage Payment, Interest Reserve Requirement Payment and any payment on the Mortgage Note to be made for deposit into the Principal Reserve Fund.

"Servicing Agreement" means the Servicing Agreement, dated the date of initial issuance of the 1999 Bonds, between Fannie Mae and the Servicer, as it may be amended, modified or supplemented from time to time, or any other agreement with respect to the servicing of the Mortgage Loan with a servicer.

"Set Rate" means that portion of the Mortgage Note Rate exclusive of the Pass-Through Rate.

"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 Rating 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 United States Trust Company of New York, a New York banking corporation, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party, or any successor Tender Agent appointed in accordance with the terms of the Resolution.

"Tender Agent Agreement" means the agreement among the Trustee, as Trustee and Tender Agent, the Corporation, the Mortgagor and the Remarketing Agent, dated as of the date of initial issuance of the 1999 Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

"Tender Date" means any Change Date or any other date on which Bondowners are permitted under the Resolution to tender their Bonds for purchase.

"Tendered Bonds" means 1999 Bonds which have been tendered to the Tender Agent for purchase pursuant to the terms of the Resolution.

"Termination Date" means, subject to the Collateral Agreement, the first to occur of (a) the date on which the 1999 Bonds shall have been paid in full, (b) the date on which the Trustee, after having received sufficient funds to redeem all of the 1999 Bonds Outstanding in accordance with the provisions of the Resolution, shall have released the Pledged Collateral in accordance with the provisions of the Collateral Agreement and shall have delivered to Fannie Mae all documents and instruments necessary or requested by Fannie Mae to effect or evidence the release and the reassignment of the Pledged Collateral to Fannie Mae and shall have paid to Fannie Mae all amounts, if any, payable by the Trustee to Fannie Mae under the Collateral Agreement, and (c) the Facility Change Date on which an Alternate Security is substituted for the Collateral Agreement.

"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.

"Weekly Effective Rate Date" means, (i) with respect to the Weekly Rate Term in effect immediately following the issuance and delivery of the 1999 Bonds, the date of such issuance and delivery, (ii) with respect to any Weekly Rate Term following another Weekly Rate Term, Wednesday of any week and (iii) with respect to a Weekly Rate Term that does not follow another Weekly Rate Term, the Interest Method Change Date with respect thereto.

"Weekly Rate" means the rate of interest on the 1999 Bonds, as described in "DESCRIPTION OF THE 1999 BONDS–WEEKLY RATE PERIOD."

"Weekly Rate Determination Date" means the date upon which the Remarketing Agent determines the Weekly Rate.

"Weekly Rate Period" means any period of time during which the 1999 Bonds bear interest at the Weekly Rate.

"Weekly Rate Term" means with respect to any particular 1999 Bond, the period commencing on a Weekly Effective Rate Date and terminating on the earlier of the last calendar day prior to the Weekly Effective Rate Date of the following Weekly Rate Term, or the last calendar day prior to a Change Date.

"Wrongful Dishonor" means (i) an uncured and willful default by the Credit 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) as to the Initial Credit Facility Provider, a request for payment made in accordance with the terms of the Initial Credit Facility or (b) as to any other Credit Facility Provider, a drawing as required pursuant to the terms of the Alternate Security.

APPENDIX B

OTHER ACTIVITIES OF THE CORPORATION

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

II. BOND PROGRAMS. The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. As of April 30, 1999, the Corporation had bonds and notes outstanding in the aggregate principal amount of approximately $2,300,791,326.51 for these purposes. All outstanding principal amounts of bonds and notes listed below are as of April 30, 1999 unless otherwise indicated. All of the projects financed by the Corporation have been completed and are in operation except where indicated below. None of the projects described below provide security under the Resolution. In addition, none of the bonds described below is secured by the Resolution.

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

(1) Rental Projects; Letter of Credit Enhanced: Under its Multi-Family Program, the Corporation has issued bonds to finance a number of mixed income projects which bonds are secured by letters of credit issued by rated commercial lending institutions. On January 20, 1989, the Corporation issued its $10,000,000 Variable Rate Demand Bonds (Upper Fifth Avenue Project), 1989 Series A, all of which are outstanding, to finance a 151-unit project in Manhattan. On March 1, 1989, the Corporation issued its $12,400,000 Multi-Family Mortgage Revenue Bonds (Queenswood Apartments), 1989 Series A, of which $11,600,000 is outstanding, to finance a 296-unit development in Queens. On December 24, 1996, the Corporation issued its $53,000,000 Multi-Family Mortgage Revenue Bonds (Related-West 89th Street Development), 1996 Series A, all of which are outstanding, to finance a 265-unit building in Manhattan. On December 30, 1998, the Corporation issued its $89,000,000 Multi-Family Mortgage Revenue Bonds (Related-Broadway Development), 1998 Series A and 1998 Series B, all of which are outstanding, to finance a 285-unit project in Manhattan.

On May 26, 1993, the Corporation issued $27,600,000 of its Multi-Family Mortgage Revenue Bonds (Columbus Gardens Project), 1993 Series A, of which $24,200,000 is outstanding, to refinance a 162-unit building located on the west side of Manhattan and to refund bonds previously issued by the Corporation to finance this project. On April 6, 1994, the Corporation issued its $28,000,000 Multi-Family Mortgage Revenue Bonds (James Tower Development), 1994 Series A, of which $24,500,000 is outstanding, to refinance a 200-unit building located on the west side of Manhattan and to refund the bonds previously issued by the Corporation to finance this project.

Under its Multi-Family Program, the Corporation has issued bonds to finance a number of low income projects, which bonds are secured by letters of credit issued by rated commercial lending institutions. On December 24, 1997, the Corporation issued its $2,500,000 Multi-Family Mortgage Revenue Bonds (Third Avenue Project), 1997 Series A, all of which are outstanding, to finance a 41-unit project in Bronx County. On December 24, 1997, the Corporation issued its $1,700,000 Multi-Family Mortgage Revenue Bonds (Lenox Avenue Project), 1997 Series A, all of which are outstanding, to finance a 26-unit project in Manhattan. On December 24, 1997, the Corporation issued its $5,000,000 Multi-Family Mortgage Revenue Bonds (Vermont School Project), 1997 Series A, all of which are outstanding, to finance a 74-unit project in Brooklyn. On December 31, 1997, the Corporation issued its $7,100,000 Multi-Family Mortgage Revenue Bonds (Tompkins Court Project), 1997 Series A, all of which are outstanding, to finance a 108-unit project in Staten Island. On December 31, 1997, the Corporation issued its $8,100,000 Multi-Family Mortgage Revenue Bonds (Gerard Court Project), 1997 Series A, all of which are outstanding, to finance a 126-unit project in Bronx County. On December 31, 1997, the Corporation issued its $8,100,000 Multi-Family Mortgage Revenue Bonds (River Court Project), 1997 Series A, all of which are outstanding, to finance a 126-unit project in Bronx County. On September 29, 1998, the Corporation issued its $6,200,000 Multi-Family Mortgage Revenue Bonds (Crotona Avenue Project), 1998 Series A, all of which are outstanding, to finance an 86-unit rental project in Bronx County. On September 29, 1998, the Corporation issued its $3,800,000 Multi-Family Mortgage Revenue Bonds (Related-Second Avenue Project), 1998 Series A, all of which are outstanding, to finance a 19-unit rental project in Manhattan. On October 8, 1998, the Corporation

issued its $3,300,000 Multi-Family Mortgage Revenue Bonds (Macombs Place Project), 1998 Series A, all of which are outstanding to finance a 58-unit rental project in Manhattan. On October 8, 1998, the Corporation issued its $2,200,000 Multi-Family Mortgage Revenue Bonds (Hoe Avenue Project), 1998 Series A, all of which are outstanding, to finance a 42-unit project in Bronx County. On October 8, 1998, the Corporation issued its $900,000 Multi-Family Mortgage Revenue Bonds (Vyse Avenue Project), 1998 Series A, all of which are outstanding, to finance an 11-unit project in Bronx County. On October 28, 1998, the Corporation issued its $6,000,000 Multi-Family Mortgage Revenue Bonds (Jennings Street Project), 1998 Series A, all of which are outstanding, to finance an 84-unit project in Bronx County. On December 22, 1998, the Corporation issued its $2,800,000 Multi-Family Mortgage Revenue Bonds (Vermont Mews Project), 1998 Series A, all of which are outstanding, to finance a 40-unit development in Brooklyn. On December 22, 1998, the Corporation issued its $1,300,000 Multi-Family Mortgage Revenue Bonds (Esplanade Mews Project), 1998 Series A, all of which are outstanding, to finance an 18-unit development in Manhattan. On December 23, 1998, the Corporation issued its $4,300,000 Multi-Family Mortgage Revenue Bonds (Quincy-Greene Project), 1998 Series A, all of which are outstanding, to finance a 44-unit development in Brooklyn. On December 31, 1998, the Corporation issued its $1,800,000 Multi-Family Mortgage Revenue Bonds (Bedford Avenue Project), 1998 Series A, all of which are outstanding, to finance a 27-unit development in Brooklyn. All of these projects are presently under construction, or have recently been completed.

(2) Rental Projects; Fannie Mae Enhanced: Pursuant to its Multi-Family Program, the Corporation has issued bonds which are secured by mortgage loan payments, which payments are secured by obligations of Fannie Mae under a Collateral Agreement. On March 29, 1995, the Corporation issued its $23,570,000 Multi-Family Mortgage Revenue Bonds (Columbus Apartments Project), 1995 Series A, of which $22,770,000 is outstanding, to refinance a 166-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its $13,775,000 Multi-Family Rental Housing Revenue Bonds (Related-Columbus Green), 1997 Series A, all of which are outstanding, to refinance a 95-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its $66,800,000 Multi-Family Rental Housing Revenue Bonds (Related-Carnegie Park), 1997 Series A, all of which are outstanding, to refinance a 461-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its $104,600,000 Multi-Family Rental Housing Revenue Bonds (Related-Monterey), 1997 Series A, all of which are outstanding, to refinance a 522-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 31, 1997, the Corporation issued its $55,000,000 Multi-Family Rental Housing Revenue Bonds (Related-Tribeca Tower), 1997 Series A, all of which are outstanding, to refinance a 440-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On September 18, 1998, the Corporation issued its $17,875,000 Multi-Family Rental Housing Revenue Bonds (100 Jane Street Development), 1998 Series A and 1998 Series B, all of which are outstanding, to refinance a 148-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On October 22, 1998, the Corporation issued its $37,315,000 Multi-Family Rental Housing Revenue Bonds (Parkgate Development), 1998 Series A and 1998 Series B, all of which are outstanding, to refinance a 207-unit project in Manhattan and to refund bonds previously issued by the Corporation to finance this project. On November 19, 1998, the Corporation issued its $150,000,000 Multi-Family Rental Housing Revenue Bonds (One Columbus Place Development), 1998 Series A and 1998 Series B, all of which are outstanding, to refinance a 729-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development. On April 6, 1999, the Corporation issued its $55,820,000 Multi-Family Rental Housing Revenue Bonds (West 43rd Street Development), 1999 Series A and 1999 Series B, all of which are outstanding, to refinance a 375-unit development in Manhattan and to refund bonds previously issued by the Corporation to finance this development.

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

(4) Rental Projects; Other Enhancements: Under its Multi-Family Program, the Corporation has issued bonds to finance mortgage loans for residential facilities, which mortgage loans are insured by the State of New York Mortgage Agency ("SONYMA") or the New York City Residential Mortgage Insurance Corporation ("REMIC"), which is a subsidiary of the Corporation. On October 31, 1989, the Corporation issued its $11,605,000 Insured Multi-Family Mortgage Revenue Bonds (Sheridan Manor Apartments), 1989 Series A, of which $8,620,000 is outstanding, to provide financing for a mortgage loan for a 450-unit development in Bronx County. This

mortgage loan is insured by SONYMA and these bonds are secured by a financial guaranty bond issued by Capital Guaranty Insurance Company. On April 26, 1996, the Corporation issued its $5,620,000 Multi-Family Mortgage Revenue Bonds (Barclay Avenue Development), 1996 Series A, of which $5,575,000 are outstanding, to fund a permanent mortgage loan for a 66-unit building located in Queens County. The Corporation's mortgage loan is insured by REMIC.

(5) Hospital Staff Housing: Pursuant to its Multi-Family Program, the Corporation has provided financing for residential facilities for hospital staff. A multi-purpose facility for the benefit of The Society of the New York Hospital, located on the east side of Manhattan, was financed in 1985 by the Corporation. On April 17, 1998, the Corporation issued its $103,300,000 MBIA Insured Residential Revenue Refunding Bonds (Royal Charter Properties East, Inc. Project), 1998 Series 1, all of which are outstanding, in order to refinance its outstanding bonds for this multipurpose facility. The payment of principal of and interest on the 1998 Series 1 Bonds is guaranteed by a municipal bond guaranty insurance policy issued by MBIA Insurance Corporation.

On March 19, 1993, the Corporation issued its $36,600,000 Residential Revenue Bonds (East 17th Street Properties, Inc.), 1993 Series A, of which $34,800,000 is outstanding, to provide a mortgage loan to East 17th Street Properties, Inc. (an affiliate of Beth Israel Medical Center) for two residential housing facilities located in Manhattan. These bonds are secured by a letter of credit issued by a rated commercial lending institution. On June 17, 1993, the Corporation issued its $8,400,000 Residential Revenue Bonds (Montefiore Medical Center Project), 1993 Series A, all of which are outstanding, to finance a mortgage loan made to Montefiore Medical Center for a residential housing facility in Bronx County. These bonds are secured by a letter of credit issued by a rated commercial lending institution.

(6) Cooperative Housing: Pursuant to the Corporation's Multi-Family Program, the Corporation has issued obligations in order to fund underlying mortgage loans to cooperative housing developments. On March 15, 1990, the Corporation issued its $6,955,000 Mortgage Revenue Bonds (South Williamsburg Cooperative), 1990 Series A, of which $6,530,000 is outstanding, in order to fund an underlying permanent mortgage loan for a 105-unit limited-income cooperative located in Brooklyn. On September 27, 1990, the Corporation issued its $11,260,000 Mortgage Revenue Bonds (South Bronx Cooperatives), 1990 Series A, of which $6,300,000 is outstanding, in order to fund underlying permanent mortgage loans for four limited-income cooperatives located in Bronx County. On April 28, 1994, the Corporation issued its $12,330,000 Mortgage Revenue Bonds (Maple Court Cooperative), 1994 Series A, of which $12,125,000 is outstanding, to fund an underlying permanent mortgage loan for a 134-unit cooperative located in Manhattan. On December 19, 1996, the Corporation issued its $16,750,000 Mortgage Revenue Bonds (Maple Plaza Cooperative), 1996 Series A, all of which are outstanding, to fund an underlying permanent mortgage loan for a 154-unit cooperative located in Manhattan. Each mortgage loan is insured by SONYMA.

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

(1) On January 15, 1993, the Corporation issued its $164,645,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1993 Series A and 1993 Series B, of which $146,945,000 of the 1993 Series A bonds (and none of the 1993 Series B bonds) is outstanding, to acquire a defaulted FHA-insured mortgage loan for the Manhattan Park Project (also known as Roosevelt Island Northtown Phase II) from the United States Department of Housing and Urban Development. On January 17, 1995, the Corporation issued its $13,910,000 Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loan), 1995 Series A, of which $11,355,000 is outstanding, to refund a like amount of the 1993 Series B bonds. This 1,107-unit project receives Section 8 housing assistance payments, administered by the Corporation, for 222 units. This project was originally financed by bonds issued by the Corporation which have been redeemed.

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

(C) *Section 223(f) Refinancing Program*. The Corporation has the power to acquire mortgages originally made by the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of the sale of such mortgages or issuance of obligations to the City. Between 1977 and 1980, obligations in the aggregate principal amount of $488,859,800 were issued and secured by mortgage loans insured by FHA pursuant to Section 223(f) of Title II of the National Housing Act of 1934, as amended, of which $394,616,326.51 is outstanding as described below.

The Corporation issued $299,886,700 aggregate principal amount of its Multifamily Housing Limited Obligation Bonds (FHA Insured Mortgage Loans), in 58 series under a resolution adopted July 25, 1977, and issued $79,998,100 aggregate principal amount of such bonds in 15 series, under a second resolution adopted October 10, 1978, of which a combined total of $303,106,326.51 is outstanding. The security for each series of such bonds is the federally-insured mortgage loans financed thereby. Debt service on each series of bonds is paid only from moneys received on account of the applicable mortgage loan securing such series, including, with respect to certain projects, interest reduction subsidy payments received by the Corporation pursuant to Section 236 of the National Housing Act ("Section 236"). The bonds, which are structured as modified pass-through obligations, were privately placed with certain savings institutions under bond purchase agreements dated as of August 11, 1977 and November 30, 1978, respectively, as amended. Two series of these bonds have been redeemed in full as a result of the prepayment in full of the mortgage loan securing the respective series.

On February 6, 1991, the Corporation issued its $103,560,000 Multi-Unit Mortgage Refunding Bonds (FHA Insured Mortgage Loans), 1991 Series A, of which $91,510,000 is outstanding, to refund bonds of the Corporation which had been issued to refinance eight multifamily developments. These bonds are limited obligations of the Corporation, payable solely from and secured by a cross-collateralized pool of FHA-insured mortgage loans, the revenues received on account of such loans and Section 236 subsidy payments.

On June 21, 1996, the Corporation commenced loan servicing of thirty-seven permanent mortgage loans with an aggregate outstanding principal balance of $225,369,031. These permanent mortgage loans are held by State Street Bank and Trust Company as trustee for the NYC Mortgage Loan Trust. In the case of thirty-one of these mortgage loans, each such mortgage loan is subordinate to one of the FHA-insured mortgage loans which secure certain of the bonds issued by the Corporation under its Section 223(f) Refinancing Program.

(D) *Housing Revenue Bond Resolution Program*. Under its Housing Revenue Bond Resolution Program the Corporation may issue bonds payable solely from and secured by the assets held under the Housing Revenue Bond Resolution which as of April 30, 1999 included a pool of 108 mortgage loans in the aggregate (which pool contained FHA-insured mortgage loans, SONYMA insured mortgage loans, GNMA mortgage-backed securities and other mortgage loans), the revenues received on account of all such loans and securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments such as payments made pursuant to housing assistance payments contracts funded pursuant to Section 8 of the United States Housing Act of 1937, as amended, interest reduction subsidy payments funded pursuant to Section 236 and subsidy payments funded by the Housing Assistance Corporation, a subsidiary of the Corporation.

On August 12, 1993, the Corporation issued its $130,000,000 Multi-Family Housing Revenue Bonds, 1993 Series A and 1993 Series B, of which $120,755,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1979 Series A; its Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1983 Series A; its Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1983 Series B; and its Multi-Family Mortgage Revenue Bonds (FHA Insured Mortgage Loans), 1983 Series C.

On October 13, 1994, the Corporation issued its $6,500,000 Multi-Family Housing Revenue Bonds, 1994 Series A, of which $5,935,000 is outstanding, to finance permanent mortgage loans in connection with the rehabilitation of fourteen multi-family rental housing developments.

On August 3, 1995, the Corporation issued its $49,635,000 Multi-Family Housing Revenue Bonds, 1995 Series A, of which $27,645,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Housing Bonds (FHA Insured Mortgage Loans), 1985 First Series; its Multi-Family Mortgage Revenue

Bonds (GNMA Mortgage-Backed Securities), 1985 Series A; and its Insured Multi-Family Mortgage Revenue Bonds, 1985 First Series.

On September 10, 1996, the Corporation issued its $217,310,000 Multi-Family Housing Revenue Bonds, 1996 Series A, of which $190,965,000 is outstanding, to refund all of the Corporation's outstanding General Housing Bonds, Series A through G.

On June 19, 1997, the Corporation issued its $25,265,000 Multi-Family Housing Revenue Bonds, 1998 Series A and 1998 Series B, of which $24,610,000 is outstanding, to refund all of the Corporation's outstanding Multi-Family Housing Bonds (FHA Insured Mortgage Loans), 1987 Series A and Multi-Family Mortgage Revenue Bonds (GNMA Mortgage-Backed Securities), 1987 Series A as well as to finance permanent mortgage loans in connection with the rehabilitation of eight multifamily rental housing developments, five of which have been made as of April 30, 1999.

On October 15, 1997, the Corporation issued its $30,000,000 Multi-Family Housing Revenue Bonds, 1998 Series C, all of which $29,695,000 are outstanding, to finance permanent mortgage loans in connection with the rehabilitation of approximately thirty-four multifamily rental housing developments and the new construction of one multifamily rental housing development, of which seventeen mortgage loans have been made as of April 30, 1999.

On May 21, 1998, the Corporation issued its $57,800,000 Multi-Family Housing Revenue Bonds, 1998 Series A, all of which are outstanding, to finance construction and/or permanent mortgage loans in connection with the development of approximately nine multi-family housing projects, of which five construction loans and three permanent loans have been made as of April 30, 1999.

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

On March 3, 1999, the Corporation issued its $66,000,000 Multi-Family Housing Revenue Bonds, 1999 Series A-1 and 1999 Series A-2, all of which are outstanding, to finance construction and/or permanent loans in connection with the development of approximately six multi-family housing projects, of which one construction loan has been made as of April 30, 1999.

II. DEVELOPMENT SERVICES PROGRAM. The Corporation commenced its Development Services Program in 1987, which program is funded by moneys drawn from the Corporation's unrestricted reserves. The Development Services Program is comprised of eight subprograms: (1) the Construction Loan Program, (2) the Seed Money Loan Program, (3) the Project Management Program, (4) the Working Capital Loan Program, (5) the Tax Credit Bridge Loan Program, (6) the HPD Loan Servicing Program, (7) the Minority and Women-Owned Business Enterprise Working Capital Loan Program and (8) the Participation Loan Program. The subprograms that were active on April 30, 1999 are described below.

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

(1) *Seed Money Loan Program*. Pursuant to Memoranda of Understanding ("MOUs") with the City, acting through HPD, the Corporation has provided interim assistance in the form of an unsecured, interest-free loan to (i) the Neighborhood Partnership Housing Development Fund Company, Inc. in the amount of $2,250,000 to fund certain expenses associated with HPD's Neighborhood Entrepreneurs Program, (ii) to Phipps Houses, in the amount of $297,000, and to 120 Gerry Street Housing Development Fund Corporation, in the amount of $164,800, both to fund certain expenses associated with HPD's 85/85 Program and (iii) the Community Partnership Development Corporation, in the amount of $100,000, to fund certain expenses associated with a project being developed under HPD's ANCHOR initiative.

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

(3) *HPD Loan Servicing Program*. The Corporation acts as loan servicer in connection with certain of HPD's construction and permanent housing loan programs pursuant to several agreements with HPD. As of April 30, 1999, the Corporation was servicing construction and permanent loans in the approximate face amount of $886,759,000.

(4) *Participation Loan Program*. The Corporation established a program to make mortgage loans in an aggregate amount not to exceed $7,700,000 for the rehabilitation of certain multiple dwelling projects pursuant to the provisions of Article XV of the New York State Private Housing Finance Law. The projects funded under this program are selected by HPD. The Corporation's loan for each project is made in conjunction with a loan from a private lender. Four loans have been made by the Corporation under this program.

III. AFFORDABLE HOUSING PERMANENT LOAN PROGRAM. The Corporation has established a program to make permanent loans for projects constructed or rehabilitated in conjunction with HPD loan programs. All of the loans under this program are expected to be financed by the proceeds of the Corporation's Multi-Family Housing Revenue Bonds, 1997 Series C and/or other moneys of the Corporation.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the 1999 Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

NEW YORK CITY HOUSING
DEVELOPMENT CORPORATION
75 Maiden Lane
New York, New York 10038

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $57,000,000 Multi-Family Rental Housing Revenue Bonds (Brittany Development), 1999 Series A (the "1999 Series A Bonds") of the New York City Housing Development Corporation (the "Corporation"), a corporate governmental agency, constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the "Act").

The 1999 Series A Bonds are authorized to be issued pursuant to the Act and the Multi-Family Rental Housing Revenue Bonds (Brittany Development) Bond Resolution of the Corporation, adopted May 6, 1999 (herein called the "Resolution"). The 1999 Series A Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution) in order to refinance the Project (as defined in the Resolution).

The 1999 Series A Bonds are dated, mature, are payable, bear interest and are subject to redemption and tender as provided in the Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the delivery of the 1999 Series A Bonds in order that interest on the 1999 Series A Bonds be and remain excluded from gross income for purposes of Federal income taxation. The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 1999 Series A Bonds shall be excluded from gross income for Federal income tax purposes. In rendering this opinion, we have assumed compliance by the Corporation with such covenant.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 1999 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 1999 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 (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 1999 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 1999 Series A Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State, including the Act.

(4) The 1999 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 1999 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 1999 Series A Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 1999 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, interest on the 1999 Series A Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 1999 Series A Bond for any period during which such 1999 Series A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is (a) a "substantial user" of the facilities financed with the proceeds of the 1999 Series A Bonds or (b) a "related person." Interest on the 1999 Series A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In addition, under existing statutes, interest on the 1999 Series A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 1999 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 1999 Series A Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,