

*In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2008 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2008 Bond for any period during which such 2008 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2008 Bonds or a "related person," and (ii) interest on the 2008 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2008 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.*

**\$11,000,000**

**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**  
**Multi-Family Mortgage Revenue Bonds (Hewitt House Apartments),**  
**2008 Series A<sup>†</sup>**

**Dated: Date of Delivery**                      **Price: 100%**                      **CUSIP: 64966TBV5\***                      **Due: November 1, 2048**

The 2008 Bonds will be issued as fully registered bonds in the initial denomination of \$100,000 or any \$5,000 increment in excess of \$100,000. The 2008 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 2008 Bonds will be payable by Deutsche Bank Trust Company Americas, located in New York, New York, as trustee (the "Trustee") for the 2008 Bonds, to Cede & Co., as nominee of DTC. Purchasers of the 2008 Bonds will not receive physical delivery of bond certificates. The 2008 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein.

The 2008 Bonds relate to a project located in the City of New York. The Project is owned by the Mortgagor and the 2008 Bonds are being issued to finance a Mortgage Loan to the Mortgagor in order to finance a portion of the Project and pay certain other costs related thereto.

Payment of principal of and interest on the 2008 Bonds will be secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which the 2008 Bonds are being issued, all as described herein. The principal of, interest on and purchase price of the 2008 Bonds are payable from funds advanced under an irrevocable direct pay letter of credit (the "Letter of Credit") issued by

**BANK OF AMERICA, N.A.**

pursuant to a Credit and Disbursement Agreement dated as of November 1, 2008. The Letter of Credit will terminate on May 2, 2011, unless extended or terminated earlier in accordance therewith as described herein. The Bank's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Letter of Credit are absolute, unconditional and irrevocable.

**The 2008 Bonds are subject to optional and mandatory redemption at the times and in the events set forth in the Resolution and described herein.**

The 2008 Bonds are being issued as variable rate obligations which will bear interest from their date of issuance to but not including the Thursday following said date of issue at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2008 Bonds. Thereafter, the 2008 Bonds will bear interest at the Weekly Rate, as determined from time to time by J.P. Morgan Securities Inc., as Remarketing Agent, unless the method for determining the interest rate on the 2008 Bonds is changed to a different method or the interest rate is converted to a fixed rate to maturity. So long as the 2008 Bonds bear interest at a Weekly Rate, interest is payable on the first Business Day of each month, commencing December, 2008.

During the period that the 2008 Bonds bear interest at the Weekly Rate, any 2008 Bond shall be purchased upon demand by the owner thereof, at a purchase price equal to 100% of the principal amount of such 2008 Bond plus accrued and unpaid interest thereon to the date of purchase, on any Business Day, upon at least seven (7) days' notice and delivery of a tender notice with respect to such 2008 Bond to Deutsche Bank Trust Company Americas, located in New York, New York, as Tender Agent as described herein. The 2008 Bonds will be subject to mandatory tender for purchase upon a change in the method of determining the interest rate on such 2008 Bonds or upon provision of an Alternate Security for the then-existing Credit Facility as described herein. The 2008 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 2008 Bonds only while the 2008 Bonds bear interest at the Weekly Rate.*

**The 2008 Bonds are special obligations of the New York City Housing Development Corporation, a corporate governmental agency, constituting a public benefit corporation organized and existing under the laws of the State of New York. The 2008 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 2008 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

*The 2008 Bonds are offered when, as and if issued and received by the Underwriter and subject to the unqualified approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for the Bank by its counsel, Edwards Angell Palmer & Dodge LLP, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its counsel, Cannon Heyman & Weiss, LLP, Buffalo, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Hiscock & Barclay, LLP, New York, New York. It is expected that the 2008 Bonds will be available for delivery in New York, New York on or about November 25, 2008.*

**J.P. Morgan**

Dated: November 17, 2008

\* See footnote on inside cover page.

† Interest not included in adjusted current earnings of corporations for purposes of the alternative minimum tax under the Code. See "Tax Matters – Opinion of Bond Counsel to the Corporation."

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 2008 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; Bank of America, N.A. (the "Bank"), Hewitt Westchester L.P. (the "Mortgagor") (in the case of information contained herein relating to the Mortgagor, the partners of the Mortgagor, the Guarantors, the Mortgage Loan and other financing and the Project); and other sources which are believed to be reliable. Such information herein is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by any of such sources as to information from any other source. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation, the Bank or the Mortgagor, its partners or the Guarantors since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2008 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 2008 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT A PRICE LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.\*

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\* Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed on the cover page is being provided solely for the convenience of Bondholders only at the time of issuance of the 2008 Bonds and the Corporation makes no representation with respect to such number nor undertakes any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the 2008 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2008 Bonds.

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**\$11,000,000**  
**NEW YORK CITY HOUSING DEVELOPMENT CORPORATION**

**Multi-Family Mortgage Revenue Bonds**  
**(Hewitt House Apartments), 2008 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 \$11,000,000 aggregate principal amount of its Multi-Family Mortgage Revenue Bonds (Hewitt House Apartments), 2008 Series A (the “2008 Bonds”).

The 2008 Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the “Act”), and pursuant to a resolution relating to the 2008 Bonds adopted by the Members of the Corporation on October 31, 2008. 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 2008 Bonds issued thereunder, are herein referred to as the “Bonds.” Deutsche Bank Trust Company Americas, located in New York, New York, will act as trustee for the 2008 Bonds (in its capacity as trustee for the 2008 Bonds, with its successors, the “Trustee”). Certain defined terms used herein are set forth in Appendix A hereto.

**INTRODUCTION**

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

The 2008 Bonds relate to a project located in The City of New York. The 2008 Bonds are being issued to finance a mortgage loan (the “Mortgage Loan”) to Hewitt Westchester L.P., a New York limited partnership (the “Mortgagor”), for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family rental housing facility to be located at 866 Hewitt Place and 886 Westchester Avenue, to be known as 886 Westchester Avenue in the Borough of the Bronx, City and State of New York (the “Project”), and certain other costs related thereto. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The general partner of the Mortgagor, Westchester 2 GP LLC, is a single purpose limited liability company 50% owned by Polite Hewitt LLC, the members of which are Allan Arker, Sol Arker, Alex Arker and Daniel Moritz and 50% owned by Westchester 2 Housing Development Fund Corp. (the “HDFC”), the sole member of which is Northeast Brooklyn Housing Development Corp. See “THE PROJECT AND THE MORTGAGOR”.

Simultaneously with the issuance of the 2008 Bonds, the Corporation will be making a separate second priority subordinate mortgage loan to the Mortgagor in the principal amount of \$4,565,000 (the “Non-Bond Loan”) and a commitment to make a separate third priority subordinate mortgage loan to the Mortgagor upon completion of construction of the Project in the principal amount of \$4,565,000 (the “421a Fund Loan”), the proceeds of each loan will be used to pay a portion of the cost of acquiring, constructing and equipping the Project. No obligations will be issued by the Corporation to provide

proceeds of the Non-Bond Loan or the 421a Fund Loan and the scheduled or other payments required by the Non-Bond Loan and the 421a Fund Loan or the respective subordinate mortgages securing the Non-Bond Loan and the 421a Fund Loan will not be pledged for the benefit of the owners of the 2008 Bonds.

Completion of construction of the Project depends upon, among other things, the ability of the Mortgagor to obtain various permits and approvals, some of which have not yet been obtained. In the event that the Project is not completed and rented within approximately 27 months, subject to a six month extension and subject to force majeure, after the date of initial issuance and delivery of the 2008 Bonds, as required by the Credit Agreement (as hereinafter defined), there may be a mandatory tender or redemption of the 2008 Bonds in whole or in part. See “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” herein. In addition, if the Mortgage Loan is made in an amount less than the amount originally anticipated, all or a portion of the 2008 Bonds may be redeemed. See “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Optional — Special Redemption” herein.

Upon the earlier of (i) completion of construction of the Project and satisfaction of certain other conditions or (ii) the Letter of Credit Expiration Date (as defined below), subject to extension by the Bank, the Mortgagor is required to prepay a portion of the Mortgage Loan (the “Mandatory Mortgage Loan Prepayment”). The Mandatory Mortgage Loan Prepayment is required to be applied to redeem the 2008 Bonds in a principal amount equal to the amount of the Mandatory Mortgage Loan Prepayment. See “THE MORTGAGE LOAN AND OTHER FINANCING” and “DESCRIPTION OF THE 2008 BONDS — Redemption of the 2008 Bonds — Mandatory — Mandatory Redemption From Certain Recoveries of Principal”.

Concurrently with, and as a condition precedent to, the issuance of the 2008 Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the “Letter of Credit”) executed and delivered by Bank of America, N.A. (the “Bank”). The principal of, interest on and Purchase Price (as defined below) of the 2008 Bonds are payable from funds advanced under the Letter of Credit. The Bank will advance funds under the Letter of Credit to the Trustee with respect to the payment of: (i) the principal of the 2008 Bonds when due by reason of acceleration, redemption, defeasance or stated maturity and (ii) up to 35 days’ interest (computed at the Maximum Rate) on the 2008 Bonds when due on or prior to their stated maturity date. The Bank will also advance funds under the Letter of Credit to the Trustee up to the principal amount of the 2008 Bonds and interest thereon (computed at the Maximum Rate) for up to 35 days in order to pay the Purchase Price of 2008 Bonds that are tendered and not remarketed. The Letter of Credit will expire on May 2, 2011 (the “Letter of Credit Expiration Date”), unless extended or terminated earlier in accordance with its terms, as described herein. See “LETTER OF CREDIT BANK”, “SECURITY FOR THE BONDS — Letter of Credit” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” herein. Under certain circumstances, the Corporation or the Mortgagor may replace the Letter of Credit with a Substitute Letter of Credit or an Alternate Security. The Letter of Credit constitutes a “Credit Facility” and the “Initial Construction Phase Credit Facility” under the Resolution, and the Bank constitutes a “Credit Facility Provider” and the “Initial Construction Phase Credit Facility Provider” under the Resolution. See “SECURITY FOR THE BONDS — Alternate Security” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” herein.

The Mortgagor will enter into a Credit and Disbursement Agreement (the “Credit Agreement”) with the Bank, in its capacity as the provider of the Letter of Credit and as agent and servicer (the “Agent”), and any other lenders who become co-lenders pursuant to the Credit Agreement (collectively, “Lenders”) pursuant to which the Mortgagor will agree to reimburse the Bank for any payments made by the Bank under the Letter of Credit. The sole obligor under the Letter of Credit will be the Bank. The

other Lenders will have no obligation under the Letter of Credit. Upon an event of default under the Credit Agreement, the Bank may direct the mandatory tender or mandatory redemption of all or a portion of the 2008 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT — Events of Default” and “— Remedies,” “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” and “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right To Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination”.

Federal Home Loan Mortgage Corporation (“Freddie Mac”) has agreed that upon completion of the Project and the satisfaction of certain other conditions, it will issue a direct pay irrevocable transferable Credit Enhancement Agreement (the “Freddie Mac Credit Enhancement Agreement”) with respect to the 2008 Bonds to the Trustee. The Freddie Mac Credit Enhancement Agreement will replace the Letter of Credit for the 2008 Bonds and will provide for the payment of the principal of and interest on the 2008 Bonds and the Purchase Price of the 2008 Bonds that are tendered for purchase and not remarketed. The 2008 Bonds will be subject to mandatory tender on the date of issuance of the Freddie Mac Credit Enhancement Agreement. See “DESCRIPTION OF THE 2008 BONDS — Mandatory Purchase of 2008 Bonds Upon Replacement or Expiration of Credit Facility.” The Letter of Credit will be surrendered to the Bank for cancellation at such time. Failure to meet the conditions for the issuance of the Freddie Mac Credit Enhancement Agreement before the Letter of Credit Expiration Date, subject to extension by the Bank, will be an event of default under the Credit Agreement, and the Bank may thereupon direct the mandatory redemption or the mandatory tender of all or a portion of the 2008 Bonds. In addition, in order to meet such conditions, the Mortgagor may be required to make a Pre-Conversion Loan Equalization Payment, resulting in a redemption of an equal principal amount of the 2008 Bonds. See “THE MORTGAGE LOAN AND OTHER FINANCING” and “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Mandatory — Mandatory Redemption from Certain Recoveries of Principal.”

The Mortgage Loan is to be evidenced by one or more mortgage notes (as the same may be amended, modified or supplemented, the “Mortgage Note”) and secured by one or more mortgages on the Project (as the same may be amended, modified or supplemented, the “Mortgage”). The Mortgage Note and Mortgage are to be assigned by the Corporation to the Trustee and the Bank, 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 the Bank but will retain the right to receive payments relating to any Principal Reserve Fund deposits subject to the Bank’s right to direct the Trustee to assign its entire interest in the Mortgage Loan to the Bank. There are not expected to be any deposits into the Principal Reserve Fund prior to the Conversion Date. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants with Respect to the Mortgage Loan.”

The 2008 Bonds are special obligations of the Corporation payable solely from payments under the Mortgage Loan and other Revenues pledged therefor under the Resolution, including any investment earnings thereon, all as provided in accordance with the terms of the Resolution. In addition, the 2008 Bonds are payable from advances under the Letter of Credit or any Alternate Security. See “SECURITY FOR THE BONDS.”

The 2008 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to but not including the Thursday following said date of issue at a rate per annum set forth in a certificate of the Corporation delivered on the date of issue of the 2008 Bonds. Thereafter, the 2008 Bonds will initially bear interest at the Weekly Rate, to be determined for the 2008 Bonds weekly and as otherwise described herein by J.P. Morgan Securities Inc., as remarketing agent for the 2008 Bonds (in such capacity, the “Remarketing Agent”). Under certain circumstances, and with the prior written consent of the Bank, the method of calculating the interest rate borne by the 2008 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 2008 BONDS.” So long as the Letter of Credit is in effect, the 2008 Bonds are subject to a maximum interest rate of ten percent (10%) per annum or such higher rate (which shall not exceed fifteen percent (15%) per annum) as may be established in accordance with the provisions of the Resolution (the “Maximum Rate”).

During any period of time in which the 2008 Bonds bear interest at the Weekly Rate, the 2008 Bonds are subject to purchase at a price equal to 100% of the principal amount thereof 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 at least seven days’ prior notice delivered to the Trustee prior to 4:00 p.m., New York City time. The 2008 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 2008 Bonds that are not remarketed shall be paid with amounts provided pursuant to the Letter of Credit. As more fully described herein, the loss of exclusion of interest on the 2008 Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of the 2008 Bonds.

This Official Statement in general describes the 2008 Bonds only while the 2008 Bonds bear interest at the Weekly Rate and only while the Letter of Credit is in effect.

**The 2008 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 2008 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.**

Descriptions of the 2008 Bonds and sources of payment, the Corporation, the Bank, the Mortgagor, the Project, the Mortgage Loan, the Letter of Credit, the Resolution, the Credit Agreement and certain related agreements are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2008 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 CORPORATION

### Purposes and Powers

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in New York City for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, or in areas designated as blighted through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans to specified private entities; to purchase loans from lending institutions; to make loans insured or co-insured by the Federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of



loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any Federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from The City of New York (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 2008 Bonds, notes, or other obligations are outstanding.

The sale of the 2008 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 2008 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 bond, mortgage loan, loan and servicing activities of the Corporation, see “Appendix B — Activities of 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 and the Director of Management and Budget of the City (such officials to serve ex-officio), and four (4) public members, two (2) appointed by the Mayor of the City (the “Mayor”) and two (2) appointed by the Governor of the State. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four (4) members. The Corporation may delegate to one or more of its members, officers, agents or employees such powers and duties as it deems proper.

### Members

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

**FELIX CIAMPA**, Vice Chairperson and Member, term expires December 31, 2009. Mr. Ciampa is the Chief of Staff to the New York City Deputy Mayor for Economic Development and manages the office responsible for implementing the Mayor of New York City’s five-borough economic development strategy. Prior to assuming his current position at City Hall, Mr. Ciampa served most recently as the Chief Operating Officer for the New York City Economic Development Corporation (“EDC”). At EDC, he worked with the President of EDC to develop and implement a new organizational structure and strategic plan for the corporation. Before assuming the role of Chief Operating Officer, Mr. Ciampa was EDC’s Senior Vice President for Government and Community Relations. Previously, Mr. Ciampa was the Deputy Director of the Mayor’s Office of City Legislative Affairs. Mr. Ciampa has his B.A. from Fordham University and his J.D. from St. John’s University.

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

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

**HARRY E. GOULD, JR.**, Member, serving pursuant to law. Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation, the largest privately owned independent distributor of printing paper in the United States. He was Chairman and President of Cinema Group, Inc., a major independent film financing and production company, from 1982 to May 1986, and is currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. He is a Life Member of the Executive Branch of the Academy of Motion Picture Arts and Sciences. He was a member of the Board of Directors of Domtar, Inc., the largest Canadian manufacturer of packaging and fine paper from 1995 to 2003. He is a member of the Board of Directors of the USO of Metropolitan New York. He was a member of the Board of Trustees of the American Management Association from 1996 to 1999. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was Vice Chairman of the President's Export Council, was a member of the Executive Committee and was Chairman of the Export Expansion Subcommittee from 1977 to 1980. He was a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee from 1977 to 1999. He was a member of the Board of United Cerebral Palsy Research and Educational Foundation, and the National Multiple Sclerosis Society of New York from 1972 to 1999. He was a Trustee of the Riverdale Country School from 1990 to 1999. Mr. Gould received his B.A. degree from Colgate University magna cum laude. He began his M.B.A. studies at Harvard University and received his degree from Columbia Business School.

**CHARLES G. MOERDLER**, Member, term expires December 31, 2010. Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to

1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of Elections in 1974, Member of the New York City Air Pollution Control Board from 1966 to 1967 and Special Counsel to the New York State Assembly, Committee on Judiciary in 1961 and Committee on The City of New York in 1960. Mr. Moerdler also serves as a Trustee of St. Barnabas Hospital and served on the Board of Overseers of the Jewish Theological Seminary of America. He served as a Trustee of Long Island University from 1985 to 1991 and on the Advisory Board of the School of International Affairs, Columbia University from 1976 to 1979. Mr. Moerdler is a graduate of Long Island University and Fordham Law School, where he was an Associate Editor of the Fordham Law Review.

**MICHAEL W. KELLY**, Member, term expires December 31, 2008. Mr. Kelly is the managing partner of the Flying Point Group LLC which is a structured financial products and asset management company. Prior to that, Mr. Kelly was Managing Director of Ambac Capital Corporation and oversaw all of the non-insurance businesses. Prior to his employment at Ambac Capital Corporation, Mr. Kelly was a Managing Director in charge of the municipal derivatives business at Smith Barney. He began his career in 1979 as an attorney at Seward & Kissel. He received his B.A. from Georgetown University and J.D. from Fordham University Law School.

#### Principal Officers

**SHAUN DONOVAN**, Chairperson.

**FELIX CIAMPA**, Vice Chairperson.

**MARC JAHR**, President. Mr. Jahr was appointed President of the Corporation on December 19, 2007, effective January 2, 2008. Prior to joining the Corporation, Mr. Jahr was Citi Community Capital's New York metropolitan area Market Director. At Citibank, he supervised its community development real estate lending group and was responsible for its affordable rental housing and home ownership lending programs in the metro New York area. Before joining Citibank, Mr. Jahr held various senior positions at Local Initiatives Support Corporation including New York Equity Fund Manager, New York City Program Director and Program Vice President. He also served in several positions at HPD including Director of its Multi-Family Housing Unit, as well as Deputy Director of HPD's Small Homes Unit. Mr. Jahr also served as Director of the Neighborhood Housing Services Program of East Flatbush and the New York City Commission on Human Rights East Flatbush Neighborhood Stabilization Program. Mr. Jahr is a graduate of the New School College. While at Citibank, he sat on the boards of several not-for-profit corporations including the Settlement Housing Fund, NHS CDC, the NYC Housing Partnership CDC, the Citizens Housing and Planning Council, Neighborhood Restore and The Brooklyn Historical Society.

**RICHARD M. FROELICH**, Executive Vice President and General Counsel. Mr. Froehlich, an attorney and member of the New York State Bar, was appointed Executive Vice President for Capital Markets of the Corporation on February 27, 2008 and is also the General Counsel of the Corporation. He was originally appointed Senior Vice President and General Counsel of the Corporation effective November 17, 2003. Prior to joining the Corporation, he was Counsel at the law firm of O'Melveny & Myers LLP in its New York City office, where Mr. Froehlich's practice focused on real estate, public finance and affordable housing. From 1993 to 1998, Mr. Froehlich was an Assistant Counsel at the New York State Housing Finance Agency. Upon graduation from law school, he was an associate at Skadden, Arps, Slate, Meagher & Flom. Mr. Froehlich received his B.A. degree from Columbia College and his J.D. from Columbia University School of Law. He is on the board of directors of New Destiny Housing Corp., a New York non-profit corporation and an Adjunct Assistant Professor of Urban Planning at Columbia University.

**MATHEW M. WAMBUA**, Executive Vice President, Mr. Wambua was appointed Executive Vice President for Real Estate and External Relations of the Corporation on February 27, 2008. He was a Member and Vice Chairperson of the Corporation from May 2006 through February 2008. Prior to joining the Corporation, Mr. Wambua served as the Senior Policy Advisor for the New York City Deputy Mayor of Economic Development where he focused on housing issues and large-scale planning projects. Mr. Wambua also was Vice President for Special Projects at the New York City Economic Development Corporation. He previously was a senior investment officer for General Electric Capital Commercial Real Estate. Mr. Wambua earned a B.A. from the University of California at Berkeley and a Masters in Public Policy from Harvard University's John F. Kennedy School of Government. Mr. Wambua previously taught real estate finance at New York University and managerial economics at the New School University.

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

**JOAN TALLY**, Senior Vice President for Development. Ms. Tally was appointed Senior Vice President for Development of the Corporation on February 27, 2008. She had been acting head of the Corporation's Development Department since October 1, 2007 and served as the Vice President of Development since April 2007. In September 2001, Ms. Tally began her career at the Corporation as a project manager structuring financing programs and underwriting transactions and was promoted first to Senior Project Manager and then Assistant Vice President in December 2005. Her previous experience includes planning and development work at the Manhattan Borough President's Office and with Neighborhood Housing Services of New York City. Ms. Tally holds a Master of Urban Planning and a B.A. in Urban Studies from Hunter College of the City University of New York.

**EILEEN M. O'REILLY**, Senior Vice President and Chief Financial Officer. Ms. O'Reilly was appointed Senior Vice President and Chief Financial Officer of the Corporation effective May 2, 2007 and joined the Corporation as Acting Senior Vice President on March 19, 2007. Prior to joining the Corporation, Ms. O'Reilly was a principal of Gramercy Capital Consulting, a consulting firm where she advised clients in implementing financial programs and marketing initiatives. Previously, she held several positions at Fidelity Investments, PaineWebber and Kidder Peabody. Ms. O'Reilly holds a B.A. in Economics from Tufts University and an M.B.A. degree from Columbia Business School.

**MELISSA BARKAN**, Deputy General Counsel and Secretary. Ms. Barkan was appointed Secretary of the Corporation on May 2, 2007. She was appointed Deputy General Counsel on March 1, 2007. Prior to her appointments she held the position of Associate General Counsel and Assistant Secretary. In 1999, Ms. Barkan joined the Corporation as an Assistant General Counsel. Before joining the Corporation, Ms. Barkan was associated with a New York law firm where her practice focused on real estate acquisitions and financing. Ms. Barkan received her B.S. degree from the School of Business at the State University of New York at Albany and her J.D. from Brooklyn Law School. Ms. Barkan is a member of the New York State Bar.

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

The Resolution authorizes the issuance by the Corporation of the 2008 Bonds to provide moneys to finance the Mortgage Loan for the purposes of paying a portion of the costs of acquiring, constructing

and equipping the Project and certain other costs related thereto. As a condition to the initial issuance and delivery of the 2008 Bonds, the Bank is to deliver the Letter of Credit to the Trustee. In addition, 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 2008 Bonds. The Mortgage Loan is to be evidenced by the Mortgage Note, in an amount equal to the principal amount of the 2008 Bonds, executed by the Mortgagor in favor of the Corporation and secured by a Mortgage on the Project. The Mortgagor is required under the Mortgage Note to make payments sufficient to pay principal of and interest on the 2008 Bonds. Pursuant to the terms of the Resolution and the Assignment and Intercreditor Agreement by and among the Corporation, the Trustee and the Bank, and acknowledged by the Mortgagor (the “Assignment”), the Corporation will assign and deliver to the Bank 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. If the costs of acquiring, constructing and equipping the Project are less than the amount originally anticipated and, in turn, the Mortgage Loan is made in an amount less than the amount originally anticipated, a portion of the 2008 Bonds may be redeemed. See “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Optional — Special Redemption” herein.

Freddie Mac has agreed to issue a Freddie Mac Credit Enhancement Agreement with respect to the 2008 Bonds to the Trustee upon compliance with certain conditions contained in the Construction Phase Financing Agreement (the “Conversion”). At such time, the Letter of Credit will be returned to the Bank. In addition, at such time the 2008 Bonds will be subject to mandatory tender. Such conditions for Conversion include completion of construction of the Project and the achievement of certain occupancy levels. Completion of construction of the Project depends upon, among other things, the ability of the Mortgagor to obtain various approvals, some of which have not yet been obtained. Failure of the Conversion to occur by the Letter of Credit Expiration Date, subject to extension by the Bank, will be an event of default under the Credit Agreement, and the Bank may thereupon direct the mandatory redemption or the mandatory tender of all or a portion of the 2008 Bonds. See “THE MORTGAGE LOAN AND OTHER FINANCING” and “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Mandatory — Mandatory Redemption from Certain Recoveries of Principal.”

Upon an event of default under the Credit Agreement, the Bank, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 2008 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT — Events of Default” and “— Remedies,” “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” and “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right To Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination.”

In the Credit Agreement, the Mortgagor agrees to complete the acquisition, construction, equipping and leasing of the Project within approximately 27 months, subject to force majeure, after the date of the initial issuance and delivery of the 2008 Bonds. There can be no assurance that the Project will be completed or that it will be completed on schedule. Failure to complete construction of the Project by the date required in the Credit Agreement is an event of default under the Credit Agreement and may, at the option of the Bank, result in a mandatory tender or redemption in whole or in part of the 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” herein.

The Mortgagor has elected to enter into a swap arrangement (the “Swap Contract”) with Bank of America, N.A., that will provide the Mortgagor with interest protection with respect to the interest rate

payable on the Mortgage Note during the construction phase and the permanent phase of the Project and does not apply to payments with respect to the 2008 Bonds. The Credit Agreement will provide that if the Mortgagor defaults under its Swap Contract, it shall be an event of default under the Mortgage and Credit Agreement and may, at the option of the Bank, result in a mandatory tender or redemption in whole or in part of the 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” herein.

Further, upon the earlier of (i) completion of construction of the Project and satisfaction of certain other conditions or (ii) the Letter of Credit Expiration Date, subject to extension by the Bank, the Mortgagor is required to make a Mandatory Mortgage Loan Prepayment and may be required to make a Pre-Conversion Loan Equalization Payment. Any such prepayment is required to be applied to redeem prior to maturity a portion of the 2008 Bonds (see “DESCRIPTION OF THE 2008 BONDS — Redemption of the 2008 Bonds — Mandatory — Mandatory Redemption From Certain Recoveries of Principal”). The source of funds for the Mandatory Mortgage Loan Prepayment and the Pre-Conversion Loan Equalization Payment, if any, is expected to be proceeds of the 421a Fund Loan and a portion of the tax credit investment. The proceeds of the 421a Fund Loan will be made available to the Mortgagor only upon completion of construction of the Project. However, the Mortgagor is required to make the Mandatory Mortgage Loan Prepayment and the Pre-Conversion Loan Equalization Payment, if any, regardless of whether or in what amount such proceeds are available. A failure of the Mortgagor to make the required Mandatory Mortgage Loan Prepayment and the Pre-Conversion Loan Equalization Payment, if any, is an event of default under the Mortgage Loan and the Credit Agreement. Upon an event of default under the Credit Agreement, the Bank may cause a mandatory tender or redemption in whole or in part of the 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND THE CREDIT AGREEMENT” herein.

The ability of the Mortgagor to make timely payments on the 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, the Non-Bond Loan and the 421a Fund Loan, operating expenses, servicing fees, fees due to the Bank or Freddie Mac, Remarketing Agent fees, Trustee and Tender Agent fees and fees owed to the Corporation. The ability of the Project to generate sufficient revenues may be affected by a variety of factors, including but not limited to completion of the Project, achievement and 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, interest rate levels, 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 the units in the Project to persons or families of low income, and the amount of rent that may be charged for such units is expected to be less than market rates. In addition to these factors, other adverse events may occur from time to time which may have a negative impact on the occupancy level and rental income of the Project.

The Mortgagor has agreed to pay fees to the Bank in connection with the issuance and maintenance of the Letter of Credit and to indemnify the Bank in certain circumstances. Failure of the Mortgagor to make payments when due under the Mortgage Loan, the Non-Bond Loan or the Credit Agreement will result in an event of default under the Mortgage Loan and Credit 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 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” herein. See also “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” herein.

Under the terms of a joint and several guaranty of completion Coastal Builders Corp. (“Coastal”) and the Key Principals (as defined below) and a joint and several guaranty of payment (collectively, as the same may be amended or supplemented, the “Guaranty”), executed and delivered by Allan Arker, Sol Arker, Alex Arker and Daniel Moritz (each a “Key Principal,” and collectively, the “Key Principals”) to the Bank and to the Corporation in connection with the Project, the Key Principals and Coastal have agreed to guarantee completion of construction of the Project and the Key Principals have agreed to guarantee payment of a portion of the principal of and interest on the Mortgage Note, the Non-Bond Loan and the 421a Fund Loan. Failure by the Key Principals or Coastal to perform their obligations under the Guaranty may result in an event of default under the related Credit Agreement and may, at the option of the Bank, result in a mandatory tender or redemption, in whole or in part, of the 2008 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” and “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” herein.

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

Simultaneously with the issuance of the 2008 Bonds, the Corporation will be making the Non-Bond Loan and a commitment to make the 421a Fund Loan upon completion of the Project to the Mortgagor, the proceeds of each of which will be used to pay a portion of the costs of acquiring, constructing and equipping the Project. The lien of the Non-Bond Mortgage on the Project will be subordinate to the lien of the Mortgage on the Project. The lien of the mortgage securing the 421a Fund Loan will be subordinate to the liens of the Mortgage and the Non-Bond Mortgage on the Project. No obligations will be issued by the Corporation to provide proceeds for the Non-Bond Loan or the 421a Fund Loan and the Corporation will not pledge the scheduled or other payments required by the Non-Bond Loan or the 421a Fund Loan or mortgages securing such loans for the benefit of the owners of the 2008 Bonds. Pursuant to the Credit Agreement for the Project, a default by the Mortgagor under the Non-Bond Loan or the commitment to issue the 421a Fund Loan constitutes a default under such Credit Agreement and may, at the option of the Bank, result in a mandatory tender or redemption, in whole or in part, of the 2008 Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” and “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” herein.

## **THE PROJECT AND THE MORTGAGOR**

The Mortgagor has provided the following information regarding such Mortgagor and the Project for use herein. While the information is believed to be reliable, neither the Corporation, the Bank, J.P. Morgan Securities Inc., as underwriter (the “Underwriter”) nor any of their respective counsel, members, directors, officers or employees makes any representation as to the accuracy or sufficiency of such information.

## The Project

The 2008 Bonds are being issued to finance a Mortgage Loan to the Mortgagor for the purposes of paying a portion of the costs of acquiring, constructing and equipping a multi-family housing facility consisting of one building located at 866 Hewitt Place and 886 Westchester Avenue, to be known as 886 Westchester Avenue in the Borough of the Bronx, City and State of New York, and certain other costs related thereto.

The Project is expected to consist of 83 units (11 studio units, 28 one-bedroom units and 44 two-bedroom units) in an eight-story building, with one of the two-bedroom units to be occupied by a superintendent, plus 30 on-site underground parking spaces. The building also contains a laundry room, a lobby area, and a community room. The building also consists of 11,820 square feet of ground floor retail space (which is separately financed and is not part of the Project) and 550 square feet of community facility space.

It is anticipated that all of the revenue units (i.e., excluding the superintendent's unit) will be occupied by households whose gross income will not exceed 60% of the area median income for New York City, adjusted for family size (collectively, the "Low Income Units"). Initial tenant paid rents for the Project are not expected to exceed 30% of 60% of the area median income for New York City, adjusted for family size.

The Mortgagor expects to obtain a forty year exemption from real estate taxes for the Project in accordance with Section 420-c of the Real Property Tax Law of the State of New York, which exemption currently requires all residential units in the Project be subject to rent regulation for thirty years in accordance with the New York City Rent Stabilization Code. In addition, the Mortgagor expects to receive an allocation of "as-of-right" low income housing tax credits for the Project.

The HDFC will hold legal title to the land comprising the Project, solely as nominee of the Mortgagor, and the Mortgagor will own and possess the entire beneficial interest in the Project. The HDFC will join the Mortgagor in the execution of the Mortgage, Loan Agreement and Regulatory Agreement.

The general contractor for the Project will be Coastal Builders Corp, which will enter into a construction contract with the Mortgagor. The management agent for the Project will be Progressive Management of NY Corp, which will enter into a management agreement with the Mortgagor.

Due to the inherent uncertainty of future events and conditions, including, without limitation, general interest rate levels, no assurance can be given that revenues generated by the Project will be sufficient to pay debt service on the Mortgage Loan, the Non-Bond Loan, the 421a Fund Loan, operating expenses of the Project, Bank fees, Remarketing Agent fees, Trustee and Tender Agent fees, and fees owed to the Corporation. The ability of the Mortgagor to generate sufficient revenues from the Project may be affected by a variety of factors including, but not limited to, completion of the Project, the achievement and maintenance of a sufficient level of occupancy, the requirement that the rent charged for the low income units be substantially below market rates, the ability to achieve increases in rents to cover increases in debt service and operating expenses, the level of operating expenses, Project management, adverse changes in applicable laws and regulations, and general economic conditions and other factors in the metropolitan area surrounding the Project. Furthermore, adverse changes may occur from time to time with respect to any of the preceding factors or other factors or events which may have a negative impact on the occupancy level and rental income of the Project. Failure of the Mortgagor to make payments under the Mortgage Loan or the Non-Bond Loan will result in an event of default under the Credit Agreement and may, at the option of the Bank, result in a mandatory tender or redemption in whole or in part of the Bonds. See "DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider's Right To Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination" and



“— Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT.”

### The Mortgagor

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

The general partner of the Mortgagor is Westchester 2 GP LLC (“GP LLC”), which will possess an approximate 0.01% ownership interest in the Mortgagor. The initial limited partner of the Mortgagor is Daniel Moritz, who will possess an approximate 99.99% ownership interest in the Mortgagor. Each of Polite Hewitt LLC and HDFC has a 50% interest in GP LLC. The initial members of Polite Hewitt LLC are Allan Arker, Sol Arker, Alex Arker and Daniel Moritz and the sole member of HDFC is Northeast Brooklyn Housing Development Corp.

Wachovia Affordable Housing Community Development Corporation, a North Carolina corporation, is also expected to be admitted as a limited partner of the Mortgagor and provide an equity investment in the Mortgagor in exchange for an approximate 99.99% ownership interest in the Mortgagor.

### **LETTER OF CREDIT BANK**

The Letter of Credit is being issued by Bank of America, N.A. (the “*Bank*”), which is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the “*Bank Corporation*”) and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2008, the Bank had consolidated assets of \$1,359 billion, consolidated deposits of \$846 billion and stockholder’s equity of \$114 billion based on regulatory accounting principles.

The Bank Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Bank Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the “*SEC*”).

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Bank Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit is to be issued by the Bank. Moody's Investors Service, Inc. ("*Moody's*") currently rates the Bank's long-term debt as "Aaa" and short-term debt as "P-1." The outlook is stable. Standard & Poor's currently rates the Bank's long-term debt as "AA" and its short-term debt as "A-1+." The Bank is on watch negative. Fitch Ratings, Inc. ("*Fitch*") currently rates long-term debt of the Bank as "AA-" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications  
100 North Tryon Street, 18th Floor  
Charlotte, North Carolina 28255  
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE 2008 BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE 2008 BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE 2008 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE BANK CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE 2008 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The Bank is responsible only for the information contained in this part of the Official Statement and did not participate in the preparation of or in any way verify the information contained in any other part of the Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement. Delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the Bank Corporation or the Bank since the date hereof, or that the information contained or referred to under this heading is correct as of any time subsequent to its date.

None of such information or any of the statements referred to in the preceding paragraphs is guaranteed as to accuracy or completeness by the Corporation, or is to be construed as a representation by the Corporation. Furthermore, the Corporation makes no representations as to the financial condition or resources of the Bank or Bank of America, or as to the absence of material adverse changes subsequent to November 17, 2008 in such information or in the information contained in the statements referred to above.

## DESCRIPTION OF THE 2008 BONDS

*This Official Statement in general describes the 2008 Bonds only while the 2008 Bonds bear interest at a Weekly Rate.*

### General

The 2008 Bonds are to be dated and will mature as set forth on the cover page of this Official Statement. The 2008 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 November 1, 2048, upon redemption or otherwise. The 2008 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to but not including the Thursday following said date of issue at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2008 Bonds. Thereafter, the 2008 Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. So long as the Letter of Credit is in effect, at no time shall the interest rate on the 2008 Bonds exceed the maximum rate of 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 2008 Bonds are subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein.

The 2008 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 \$5,000 increment in excess of \$100,000.

Interest on the 2008 Bonds shall be payable on a monthly basis on the first Business Day of each month commencing December, 2008, on any Change Date and on the maturity date of the 2008 Bonds. Interest on the 2008 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 2008 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 ("DTC"), New York, New York, will act as the securities depository for the 2008 Bonds. The 2008 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2008 Bond certificate will be issued in the aggregate principal amount of the 2008 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 and provides asset servicing for over 3.5 million of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing

Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (“NSCC”, “FICC” and “EMCC”, respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”, and together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2008 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase; Beneficial Owners, however, 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 2008 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2008 Bonds, except in the event that use of the book-entry system for such 2008 Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2008 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2008 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such 2008 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2008 Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2008 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Corporation or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions

and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Underwriter, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2008 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, 2008 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2008 Bond certificates will be printed and delivered to DTC.

A Beneficial Owner shall give notice to elect to have its 2008 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2008 Bonds by causing the Direct Participant to transfer the Participant’s interest in the 2008 Bonds, on DTC’s records, to the Tender Agent. The requirement for physical delivery of the 2008 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2008 Bonds are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered 2008 Bonds to the Tender Agent’s DTC Account.

The information herein concerning DTC and DTC’s book-entry-only system has been obtained from sources that the Corporation and the Underwriter believe to be reliable, but the Corporation and the Underwriter take no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the 2008 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. **NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE 2008 BONDS.**

So long as Cede & Co. is the registered owner of the 2008 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2008 Bonds (other than under the caption “TAX MATTERS” herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2008 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.

For every transfer and exchange of 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Corporation, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2008 Bonds if the Corporation determines that (i) DTC is unable to discharge its responsibilities with respect to the 2008 Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Corporation or restricted registration is no longer in effect, 2008 Bond certificates will be delivered as described in the Resolution.

NEITHER THE CORPORATION, THE UNDERWRITER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2008 BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2008 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2008 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2008 BONDS; OR (VI) ANY OTHER MATTER.

#### Interest Rate Periods

Weekly Rate Period. The 2008 Bonds shall bear interest at the Weekly Rate determined in accordance with the Resolution during the period from the date of initial issuance and delivery of the 2008 Bonds to the earlier of the first Interest Method Change Date or the final maturity or redemption in whole of the 2008 Bonds.

The Weekly Rate shall be the lowest interest rate, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 2008 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 for the 2008 Bonds not later than 4:00 p.m., New York City time, on the Business Day immediately 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 2008 Bonds to but not including the Thursday following said date of issue shall be the rate for the 2008 Bonds 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 2008 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 2008 Bond at the address shown on the registration books of the Corporation held by the Trustee, a notice stating the Weekly Rate to be borne by the 2008 Bonds and that from and after the Weekly Effective Rate Date the 2008 Bonds will bear interest at the Weekly Rate for the duration of the 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 The Securities Industry and Financial Markets Association (SIFMA) 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 2008 Bonds shall be made unless the Trustee has received, at least 30 days prior to the Change Date, (1) a Certificate of an Authorized Officer of the Mortgagor specifying (i) the date which is to be the Interest Method Change Date and (ii) the method of determining the interest rate which shall take effect on such date, (2) a certificate of an Authorized Officer of the Corporation evidencing consent to such change by the Credit Facility Provider and such other matters as may be required by the Resolution, (3) an opinion of Bond Counsel to the Corporation to the effect that the proposed change in the method of determining the interest rate on the 2008 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2008 Bonds from gross income for Federal income tax purposes, and (4)(i) permission from Bond Counsel to the Corporation, the opinion of which as to the exclusion from gross income for Federal income tax purposes of interest on the 2008 Bonds is on file with the Trustee, to deliver such opinion in connection with the 2008 Bonds, or (ii) an opinion from Bond Counsel to the Corporation as described in the Resolution to the effect that the interest on the 2008 Bonds is not included in gross income for Federal income tax purposes.

If, however, after the Conversion Date, the Initial Permanent Phase Credit Facility Provider notifies the Corporation and the Trustee that certain events have occurred and are continuing under the Credit Agreement, then the Initial Permanent Phase 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 Initial Permanent Phase Credit Facility Provider otherwise consents.

#### Purchase of the 2008 Bonds on Demand of Owner

Each owner of a 2008 Bond may, by delivery of a written notice of tender to the Principal Offices of the Tender Agent at 60 Wall Street, 27th Floor, New York, New York 10005, Attention: Trust & Securities Services (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at 270 Park Avenue, 20<sup>th</sup> Floor, New York, New York 10017 (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 2008 Bond in any denomination authorized by the Resolution; provided, however, that no portion of a 2008 Bond shall be purchased unless any remaining portion of such 2008 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 the Remarketing Agent at their respective Principal Offices and be in a form satisfactory to the Tender Agent; and
- (ii) state (A) the aggregate principal amount of the 2008 Bonds to be purchased and the numbers of the 2008 Bonds to be purchased, and (B) the date on which such 2008 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 2008 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2008 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 2008 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 2008 Bonds not so delivered to the Tender Agent (“Undelivered 2008 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 2008 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 2008 BONDS TO DELIVER ITS 2008 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 2008 BONDS, AND ANY UNDELIVERED 2008 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 2008 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2008 Bond to the Tender Agent but such 2008 Bond shall be deemed to have been delivered to the Tender Agent and remarketed and redelivered to such owner.

#### Mandatory Purchase of 2008 Bonds on Interest Method Change Date

The 2008 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 2008 Bond to which such notice relates, at its address shown on the registration books of the Corporation held by the Trustee, 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 2008 Bonds shall be deemed to have tendered their 2008 Bonds for purchase on the Interest Method Change Date, and the Purchase Price for such 2008 Bonds.

Owners of 2008 Bonds shall be required to tender their 2008 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 2008 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 2008 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 2008 BONDS TO DELIVER ITS 2008 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 2008 BONDS, AND ANY UNDELIVERED 2008 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.



### Mandatory Purchase of 2008 Bonds Upon Replacement or Expiration of Credit Facility

On any Facility Change Date, the 2008 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 2008 Bond to which such notice relates at its address shown on the registration books of the Corporation held by the Trustee. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Facility Change Date and reason therefor, that all owners of 2008 Bonds shall be deemed to have tendered their 2008 Bonds for purchase on the Facility Change Date, and the Purchase Price for such 2008 Bonds. The date on which the Freddie Mac Credit Enhancement is issued and replaces the Letter of Credit will be a Facility Change Date. See “SECURITY FOR THE BONDS — Conversion” and “THE MORTGAGE LOAN AND OTHER FINANCING.”

Owners of 2008 Bonds shall be required to tender their 2008 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 2008 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 2008 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 2008 BONDS TO DELIVER ITS 2008 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 2008 BONDS, AND ANY UNDELIVERED 2008 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 2008 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 2008 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 2008 Bond, at its address shown on the registration books of the Corporation held by the Trustee, a notice not less than fifteen (15) days prior to such Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice.

Any notice of mandatory tender relating to a Notice of Prepayment of the Mortgage Loan in Full shall set forth, in substance, the Change Date and reason therefor, that all owners of 2008 Bonds shall be deemed to have tendered their 2008 Bonds for purchase on the Change Date and the Purchase Price for the 2008 Bonds. Owners of 2008 Bonds shall be required to tender their 2008 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 2008 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 2008 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 2008 BONDS TO DELIVER ITS 2008 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 2008 BONDS, AND ANY UNDELIVERED 2008 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 2008 Bonds) of all amounts due under the Credit Agreement, all 2008 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 2008 Bonds Upon an Event of Termination

Pursuant to the Resolution, for so long as the Credit Facility is in effect, upon the receipt by the Trustee of written notice from the Credit Facility Provider that one or more events of default have occurred under the Credit Agreement (defined in the Resolution as an "Event of Termination"), including, but not limited to, a default under the Mortgage Loan or a failure to reimburse the Credit Facility Provider under the Credit Agreement, the Credit Facility Provider may specify a Change Date on which all or a portion of the 2008 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 2008 Bonds. If only a portion of the 2008 Bonds are to be subject to mandatory tender for purchase, the particular 2008 Bonds to be tendered (which shall be in authorized denominations) shall be selected by the Trustee by lot, using such method as it shall determine in its sole discretion except that the Trustee shall not select any 2008 Bond for tender which would result in any remaining 2008 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 2008 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 LETTER OF CREDIT AND CREDIT AGREEMENT" herein.

Any notice of mandatory tender of 2008 Bonds 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 2008 Bonds shall be deemed to have tendered their 2008 Bonds for purchase on the Change Date and the Purchase Price for the affected 2008 Bonds. Owners of affected 2008 Bonds shall be required to tender their 2008 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 2008 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 2008 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 ANY AFFECTED 2008 BONDS TO DELIVER ITS AFFECTED 2008 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 2008 BONDS, AND ANY UNDELIVERED 2008 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Provisions Affecting 2008 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 2008 Bonds shall be subject to mandatory tender on the proposed Interest Method Change Date and the holders of 2008 Bonds shall not have the right to retain their 2008 Bonds; and
- (iii) the interest rate shall remain in the Weekly Rate.

Provisions Affecting the 2008 Bonds if a Facility Change Cannot be Effected

If (a) a notice of a Facility Change Date has been given in accordance with the Resolution and (b) any of the conditions precedent to Facility Change Date set forth in the Resolution have not been satisfied, then, the Change Date shall be cancelled unless the prior Credit Facility is expiring within sixty (60) days after the Change Date. The Trustee shall promptly deliver or mail by first class mail, postage prepaid, to the owner of each 2008 Bond at the address shown on the registration books of the Corporation, a notice stating that the change shall not occur and the reasons therefor.

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

The Resolution provides that it is subject to amendment and supplement 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 2008 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) after such period of time as the Trustee and the Corporation deem appropriate following notice to the 2008 Bond owners but not less than thirty (30) days. A copy of any such Supplemental Resolution shall be provided to the owners of the 2008 Bonds.

Delivery of 2008 Bonds in Book-Entry Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2008 Bond is held in book-entry form, such 2008 Bond need not be delivered in connection with any optional or mandatory tender of 2008 Bonds described under “DESCRIPTION OF THE 2008 BONDS.” In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2008 Bonds on the date designated for such payment, without further action by the Beneficial Owner, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See “DESCRIPTION OF THE 2008 BONDS — Book-Entry Only System” herein.

Redemption of 2008 Bonds — Mandatory

Mandatory Redemption from Certain Recoveries of Principal. The 2008 Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity, in an amount to the extent 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 monies other than amounts transferred from the Principal Reserve Fund), at a Redemption Price equal to 100% of the principal amount of the 2008 Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption on Bankruptcy of Credit Facility Provider. The 2008 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 2008 Bonds to be redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption Following an Event of Default. The 2008 Bonds are subject to mandatory redemption, in whole, at any time prior to maturity without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Default under the Resolution at a Redemption Price equal to 100% of the principal amount of the 2008 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 2008 Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Termination under the Resolution at a Redemption Price equal to 100% of the principal amount of the 2008 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. During any Weekly Rate Period, the 2008 Bonds are subject to mandatory redemption, in whole or in part, on the first Business Day of June of each year if and to the extent amounts in excess of the Principal Reserve Amount are transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding May 10. (See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Principal Reserve Fund”). Each such redemption will be at a Redemption Price equal to 100% of the principal amount of the 2008 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date.

#### Redemption of 2008 Bonds — Optional

Optional Redemption. The 2008 Bonds are subject to redemption, at the option of the Corporation (with the prior written consent of the Credit Facility Provider), in whole or in part, at any time, at a Redemption Price equal to 100% of the principal amount of the 2008 Bonds or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Special Redemption. The 2008 Bonds are subject to redemption, at the option of the Corporation (with the prior written consent of the Credit Facility Provider), in whole or in part, at any time prior to maturity, to the extent of amounts on deposit in the Bond Proceeds Account representing unexpended amounts allocable to the 2008 Bonds that are not used to finance the Mortgage Loan, at a Redemption Price equal to 100% of the principal amount of the 2008 Bonds or portions thereof to be so redeemed, plus interest accrued thereon to the Redemption Date.

#### Selection of 2008 Bonds to be Redeemed

If less than all the 2008 Bonds are to be redeemed, the Trustee may select the 2008 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 2008 Bonds to be redeemed shall be

Purchased Bonds and (ii) no 2008 Bond shall be selected for redemption if the portion of such 2008 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 2008 Bonds, or is required pursuant to the Resolution to redeem the 2008 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2008 Bonds. Such notice is to specify, among other things, the 2008 Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption (which conditions, in the case of a redemption at the election or direction of the Corporation, shall be subject to the approval of the Credit Facility Provider) and the place or places where amounts due upon such redemption will be payable. The Trustee is to mail a copy of such notice postage prepaid to the registered owners of any 2008 Bonds or portions of 2008 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. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2008 Bonds of which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on the 2008 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 Redemption Price and interest on the 2008 Bonds on such date. So long as the 2008 Bonds are in book-entry only form, notice of redemption shall only be given to DTC. See “DESCRIPTION OF THE 2008 BONDS — Book-Entry Only System.”

#### Corporation’s Right to Purchase

The Corporation retains the right to purchase the 2008 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 2008 Bonds.

#### 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 2008 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 2008 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 2008 Bonds. However, a default by the Mortgagor under the Regulatory Agreement would give rise to an event of default under the Credit Agreement. In such an event, the Credit Facility Provider would have the right, in its sole and absolute discretion, to cause a mandatory tender or redemption of all or a portion of the 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of Termination” and “— Mandatory Redemption Following an Event of Termination” herein. In addition, an owner of a Bond may 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 2008*

*Bond in any denomination authorized by the Resolution. See “DESCRIPTION OF THE 2008 BONDS — Purchase of the 2008 Bonds on Demand of Owner” herein.*

#### Disclosure Concerning Remarketing of the 2008 Bonds

*The information contained under this heading “Disclosure Concerning Remarketing of the 2008 Bonds” has been provided by the Remarketing Agent for use in the Official Statement but has not been required by the Corporation to be included herein and, except to the extent such information describes express provisions of the Resolution, the Corporation does not accept any responsibility for its accuracy or completeness.*

The Remarketing Agent was Selected by the Corporation and is Paid by the Mortgagor. The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing 2008 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent was selected by the Corporation and is paid by the Mortgagor for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of 2008 Bonds.

The Remarketing Agent Routinely Purchases 2008 Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Bonds for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2008 Bonds by routinely purchasing and selling 2008 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2008 Bonds. The Remarketing Agent may also sell any 2008 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Bonds. The purchase of 2008 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2008 Bonds in the market than is actually the case. The practices described above also may result in fewer 2008 Bonds being tendered in a remarketing.

2008 Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate, not exceeding the Maximum Rates that would permit the sale of the 2008 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable rate determination date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be 2008 Bonds tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any 2008 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2008 Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Bonds at the remarketing price. In the event a Remarketing Agent owns any 2008 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2008 Bonds on any date, including the rate determination date, at a discount to par to some investors.

The Ability to Sell the 2008 Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2008 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2008 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2008 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Bonds other than by tendering the 2008 Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2008 Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

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

The proceeds of the 2008 Bonds will be used to fund the Mortgage Loan to the Mortgagor in the principal amount equal to the principal amount of the 2008 Bonds, which amount will be used to finance a portion of the costs of the acquisition, construction and equipping of the Project and to pay certain costs of issuance of the 2008 Bonds, including the Underwriter's fee in an amount equal to \$28,639.56.

To the extent any proceeds of the 2008 Bonds are not used to fund the Mortgage Loan, a portion of the 2008 Bonds may be redeemed. See "DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Optional — Special Redemption" herein.

### **SECURITY FOR THE 2008 BONDS**

The description of the security for the 2008 Bonds set forth below. The 2008 Bonds are secured only by the Resolution, Mortgage Loan and Letter of Credit and not by any other resolution, mortgage loan or letter of credit.

#### 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 revenue 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 2008 Bonds, as and to the extent provided in the Credit Facility, are payable from amounts obtained under such Credit Facility. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of the Revenues, which consists of all payments received by the Corporation from or on account of the Mortgage Loan, including scheduled, delinquent and advance payments of principal and interest, proceeds from the sale, assignment, or other disposition of the Mortgage Loan in the event of a default thereon, proceeds of any insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under the Resolution, including earnings and gains received by the Trustee pursuant to any investment agreement. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charges or settlement fees of the 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 the Bank 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 the Bank but will retain the right to receive payments relating to the Principal Reserve Fund deposits. There are not expected to be any deposits into the Principal Reserve Fund prior to the Conversion Date.

#### Letter of Credit

The 2008 Bonds when initially issued will have the benefit of an irrevocable direct pay Letter of Credit issued by the Bank, which Letter of Credit will expire on May 2, 2011, unless earlier extended or terminated earlier in accordance with its terms. The Bank will deliver the Letter of Credit to the Trustee upon the issuance of the 2008 Bonds. The Letter of Credit may be replaced with a Substitute Letter of Credit or various other forms of credit enhancement (“Alternate Security”; the Letter of Credit, Substitute Letter of Credit or Alternate Security being herein referred to as the “Credit Facility”), as described below under the caption “Alternate Security.” Upon replacement, termination or expiration of the Letter of Credit, the 2008 Bonds are subject to mandatory tender as described above under the caption “DESCRIPTION OF THE 2008 BONDS — Mandatory Purchase of 2008 Bonds Upon Replacement or Expiration of Credit Facility.” Further information regarding the Letter of Credit is contained herein under the caption “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT” and further information regarding the Bank is contained herein under the caption “LETTER OF CREDIT BANK.”

#### Alternate Security

The Letter of Credit may be replaced with various other forms of credit enhancement (an “Alternate Security”; the Letter of Credit or Alternate Security being herein referred to as the “Credit Facility”) or upon conversion of the 2008 Bonds to a Fixed Rate, to the maturity thereof, the Corporation may elect to provide no Credit Facility. During any Weekly Rate Period, a Credit Facility must be in effect with respect to the 2008 Bonds.

The Corporation may not exercise its right to make provision for or cause the replacement of any Credit Facility, unless the Corporation has provided the Trustee with (i) certain opinions as to, among other things, the effect of such replacement on the tax status of the 2008 Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from each national rating agency or agencies then rating the 2008 Bonds to the effect that such Alternate Security will provide the 2008 Bonds with an investment grade rating; and (iii) moneys sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility.

Upon replacement of the Letter of Credit, the 2008 Bonds are subject to mandatory tender as described above under the caption “DESCRIPTION OF THE 2008 BONDS — Mandatory Purchase of 2008 Bonds Upon Replacement or Expiration of Credit Facility.”



The Initial Permanent Phase Credit Facility Provider has agreed that upon completion of the Project and the satisfaction of certain conditions to issue the Initial Permanent Phase Credit Facility with respect to the 2008 Bonds to the Trustee. The Initial Permanent Phase Credit Facility will replace the Initial Construction Phase Credit Facility and will provide for the payment of principal of, and interest on the 2008 Bonds and the Purchase Price of the 2008 Bonds that are tendered for purchase and not remarketed. The date in which the Initial Permanent Phase Credit Facility is issued and replaces the Initial Construction Phase Credit Facility will be a Facility Change Date and the 2008 Bonds will be subject to mandatory tender on such date. See “THE MORTGAGE LOAN AND OTHER FINANCING” herein.

### Conversion

If the Conversion Notice is issued on or before the Forward Commitment Maturity Date, Conversion shall occur on the Conversion Date (which shall be an Interest Payment Date) specified in the Conversion Notice. The Trustee shall, not less than fifteen (15) Business Days prior to the Conversion Date, give written notice of Conversion to the Corporation, the Credit Facility Provider, the Mortgagor, the Remarketing Agent, the Servicer and the Initial Permanent Phase Credit Facility Provider. Conversion shall not require, and shall be effective without, the consent of the Bondholders. The Conversion Date shall constitute a Facility Change Date and the 2008 Bonds will be subject to mandatory tender on such date. The Corporation and the Trustee acknowledge that on the Conversion Date, the Initial Permanent Phase Credit Facility Provider will, pursuant to the Construction Phase Credit Facility Provider Assignment, succeed to all of the rights and interests of the Initial Construction Phase Credit Facility Provider under the Assignment with the authority to exercise the rights otherwise granted to the Initial Construction Phase Credit Facility Provider under the Assignment. Upon receipt by the Trustee of the Initial Permanent Phase Credit Facility, the Trustee shall surrender the Initial Construction Phase Credit Facility to the Initial Construction Phase Credit Facility Provider for cancellation.

If the Conversion Notice is not issued on or before the Forward Commitment Maturity Date, Conversion will not occur and the Initial Permanent Phase Credit Facility Provider will not have any obligation to provide the Initial Permanent Phase Credit Facility and will not otherwise have any obligation with respect to the 2008 Bonds or the Mortgage Loan.

### 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 Fund deposit schedule attached to the Credit Agreement, as such schedule may be amended and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. *At the request of the Mortgagor (with approval of the Credit Facility Provider), the Corporation, 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 Fund deposit schedule. The consent of the Bondholders or the Trustee is not required for such actions. Any amounts so transferred or released shall no longer secure the 2008 Bonds.* There are not expected to be any deposits into the Principal Reserve Fund prior to the Conversion Date.

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 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, 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 in lieu of retaining such amounts in the Principal Reserve Fund or depositing such amounts in the Revenue Account, such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

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

(1) at the written direction of the Credit Facility Provider to reimburse the Credit Facility Provider for advances made under the Letter of Credit which were applied to pay interest due on and/or principal of the 2008 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such interest and/or principal;

(2) at the written direction of the Credit Facility Provider to reimburse the Credit Facility Provider for advances made under the Letter of Credit which were applied to pay the Purchase Price of tendered 2008 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;

(3) at the written direction of the Credit Facility Provider with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Loan Agreement, Regulatory Agreement or the Credit Agreement beyond the expiration of any applicable cure or grace period) to make improvements or repairs to the Project; and

(4) at the written direction of the Credit Facility Provider if a default has occurred and is continuing beyond the expiration of any applicable cure or grace period under the Credit Agreement, or if the Mortgagor otherwise consents in writing to any other use approved in writing by an Authorized Officer of the Credit Facility Provider in its sole and absolute discretion.

All amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of \$100,000) are required to be transferred to the Redemption Account on May 10 of each year (or, if such day is not a Business Date, the next succeeding Business Day) automatically and used on the next Interest Payment Date to reimburse the Credit Facility Provider for amounts advanced under the Letter of Credit to effect the redemption of 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Mandatory — Mandatory Redemption from Certain Transfers from Principal Reserve Fund.”

Under certain circumstances, the Credit Facility Provider 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 reimburse the Credit Facility Provider for amounts advanced under the Letter of Credit to effect the redemption of the 2008 Bonds. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan and be a Recovery of Principal. See “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 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 reimburse the Credit Facility Provider for amounts advanced under the Letter of Credit to effect the mandatory tender or mandatory redemption in whole or in part of the 2008 Bonds. See “DESCRIPTION OF THE 2008 BONDS — Redemption of 2008 Bonds — Mandatory — Mandatory Redemption Following an Event of Termination,” “DESCRIPTION OF THE 2008 BONDS — Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2008 Bonds Upon an Event of

Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE LETTER OF CREDIT AND CREDIT AGREEMENT.”

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

#### Additional Bonds

Additional Bonds, on parity with the 2008 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 2008 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2008 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds; provided that the Credit Facility shall not secure Purchased Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Additional Bonds” herein.

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

The 2008 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 2008 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. The 2008 Bonds are authorized and issued pursuant to the Resolution and are secured thereunder. The Resolution secures only the 2008 Bonds and any other bonds issued thereunder (the 2008 Bonds and any other bonds issued under the Resolution are referred to as the “Bonds”). These excerpts do not purport to be complete or to cover all sections of the Resolution. Reference is made to the Resolution, a copy of which is on file with the Corporation and the Trustee, for a complete statement of the rights, duties and obligations of the Corporation, the Trustee and the Bond owners thereunder.

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

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the Resolution shall constitute a contract among the Corporation, the Trustee and the owners from time to time of such Bonds. The pledges and assignments made in the Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for (i) the equal benefit, protection and security of the owners of any and all of such Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Resolution and (ii) the benefit of the Credit Facility Provider, as provided in the Resolution. The Corporation pledges the Revenues and all amounts held in any Account, including investments thereof, established under the Resolution, to the Trustee for the benefit of the Bond owners and the Credit Facility Provider to secure (i) the payment of the principal or Redemption Price of and interest on the Bonds (including the Sinking Fund Payments for the retirement thereof) and (ii) all obligations owed to the Credit Facility Provider under the Credit Agreement, the Assignment and the Assigned Documents (as defined in the Assignment), subject to provisions permitting the use or application of such amounts for stated purposes, as provided in the Resolution and the Assignment. The foregoing pledge does not include amounts on deposit or required to be deposited in the Rebate Fund. The Corporation also assigns to the Trustee on behalf of the Bond owners and to the Credit Facility Provider, as their interests may appear and in

accordance with the terms of the Assignment, all of its right, title and interest in and to the Mortgage Loan and said Assigned Documents, except as otherwise provided in the Assignment, including but not limited to all rights to receive payments on the Mortgage Note and under the Mortgage Documents, including all proceeds of insurance or condemnation awards. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged under the Resolution. In addition, the Bonds shall, as and to the extent provided in the Credit Facility, be payable from Credit Facility Payments; provided, however, that the Credit Facility and the proceeds thereof shall not secure or provide liquidity for Bonds during any period they are Purchased Bonds.

#### Provisions for Issuance of Bonds

In order to provide sufficient funds to finance the 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 to the Corporation'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 2008 Bonds, the Initial Construction Phase Credit Facility, or if required with respect to any Additional Bonds, the Credit Facility;
- (e) with respect to the 2008 Bonds, executed copies of the Assignment, the Loan Agreement, the Regulatory Agreement, the Remarketing Agreement, the Pledge Agreement, the Tender Agent Agreement, the Mortgage, the Mortgage Note, the Construction Phase Financing Agreement and the Credit Agreement, and with respect to Additional Bonds, such documents as are specified in the Supplemental Resolution authorizing the same; and
- (f) such further documents and moneys as are required by the provisions of the Resolution or any Supplemental Resolution.

### Additional Bonds

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

For so long as a Credit Facility shall be in effect for the 2008 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2008 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds; provided that the Credit Facility shall not secure Purchased Bonds.

### Application and Disbursements of Bond Proceeds

The proceeds of sale of 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 of the Corporation, 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 2008 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 2008 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, the Loan Agreement 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, who may be counsel to the Corporation to the effect that the Mortgage Loan complies with all provisions of the Act and the Resolution, and (3) the Mortgage is the subject of a policy of title insurance, in an amount not less than the amount of the unpaid principal balance of the Mortgage Loan, insuring a mortgage or leasehold mortgage lien, as applicable, subject only to Permitted Encumbrances and any mortgage securing bonds previously issued by the Corporation for the Project on the real property or leasehold estate, as applicable, 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 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 subject to certain further limitations contained in the Resolution.

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

## Bond Proceeds Account

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

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

and the Tender Agent any regularly scheduled fees due and owing to such parties in connection with the Bonds.

#### 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 promptly with the Trustee 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 any Credit Facility, the Trustee shall obtain moneys thereunder in accordance with the terms thereof, in a timely manner and in amounts sufficient to pay the principal or Redemption Price of and interest on the Bonds covered by the Credit Facility, as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise, and shall deposit such amounts in the Credit Facility Payments Sub-Account. In addition, during the term of the Initial Permanent Phase Credit Facility, the Trustee, at the direction of the Corporation, shall obtain moneys under the Credit Facility in accordance with the terms thereof, in amounts specified by the Corporation to pay such portion of the Administrative Fee due and owing to the Corporation that has not been paid by the Mortgagor pursuant to the Loan Agreement, and shall promptly transfer all such amounts to the Corporation.

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

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

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

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

Any moneys accumulated in the Revenue Account up to the unsatisfied balance of each Sinking Fund Payment (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Payment was established) shall, if so directed in writing by the Corporation, be applied by the Trustee on or prior to the forty-fifth (45<sup>th</sup>) 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 (45<sup>th</sup>) day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to 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 Redemption Price thereof on the Redemption Date.

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



such remaining balance shall once again be used to offset the Mortgagor's obligation under the Mortgage Loan (in direct chronological order of such obligation).

#### Redemption Account

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

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

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

After payment of the principal of such Outstanding Bonds to be redeemed or purchased has been made, and to the extent payments for the redemption or purchase of the Bonds are made from the source described in subparagraph (1) above, amounts available from the sources described in subparagraphs (2) through (5) above, in the order of priority indicated, shall be used to reimburse the Credit Facility Provider for amounts obtained under the Credit Facility and so applied; provided, however, that during any Weekly Rate Period that occurs after all amounts in the Bond Proceeds Account have been expended, such reimbursement shall be made only if the Credit Facility Provider has notified the Trustee, in writing, that the Credit Facility Provider has not been reimbursed for said amounts obtained under the Credit Facility.

#### Rebate Fund

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

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

The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Officer of the Corporation, shall deposit in the Rebate Fund at least as frequently as the end of each fifth (5<sup>th</sup>) 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 ninety percent (90%) of the Rebate Amount with respect to each Series for which a Rebate Amount is required as of the date of such payment, and (ii) notwithstanding the provisions of the Resolution, not later than sixty (60) days after the date on which all Bonds for which a Rebate Amount is required have been paid in full, 100% of the Rebate Amount as of the date of payment.

#### 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 Fund deposit schedule attached to the Credit Agreement and provided to the Trustee by the Credit Facility Provider, as such schedule may be amended in accordance with the provisions of the Credit Agreement and provided to the Trustee by the Credit Facility Provider, and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund. Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall be deposited in the Revenue Account except as otherwise provided in the Resolution, 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 in lieu of retaining such amounts in the Principal Reserve Fund, such amounts (up to the amount of such deficiency) shall be transferred to the Rebate Fund.

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

- (1) to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay interest due on and/or principal of the 2008 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event

a Wrongful Dishonor has occurred and is continuing, to directly pay such interest and/or principal;

(2) to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay the Purchase Price of tendered 2008 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;

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

(4) if a default has occurred and is continuing beyond the expiration of any applicable notice and cure period under the Credit Agreement, or if the Mortgagor otherwise consents, to any other use approved in writing in the Credit Facility Provider's sole and absolute discretion by an Authorized Officer of the Credit Facility Provider.

Subject to the provisions described in the succeeding paragraph, from and after the Conversion Date, during any Weekly Rate Period, on each May 10 (or, if such day is not a Business Day, the next succeeding Business Day), after providing for all payments and transfers required to be made pursuant to 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) shall be transferred by the Trustee to the Redemption Account to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2008 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2008 Bonds) on the first Business Day of the next succeeding June.

If the Mortgagor certifies in writing to the Trustee and the Corporation that no "Event of Default" or "Default" exists under the Credit Agreement, and if such certificate shall bear the written acknowledgement and consent of the Credit Facility Provider, the Credit Facility Provider shall be entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2008 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2008 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.

Moneys on deposit in the Principal Reserve Fund shall be invested (i) so long as the Initial Permanent Phase 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 2008 Bonds or (b) as otherwise permitted by the Credit Facility Provider, in its sole discretion.

At the request of the Mortgagor (with the written approval of the Credit Facility Provider), the Corporation 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 and/or (iii) consent to a change in the Principal

Reserve Fund deposit schedule. Any amounts so transferred or released shall no longer secure the 2008 Bonds.

### Payment of Bonds

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

### Tax Covenants

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, the 2008 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 the 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 may be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

### Issuance of Additional Obligations

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

### Accounts and Reports

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

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

The Corporation shall annually, within 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 the 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 the Mortgage Loan during such fiscal year; (iii) a statement of changes in fund balances, as of the end of such fiscal year; and (iv) a statement of cash flows, as of the end of such fiscal year. The financial statements shall be accompanied by the Certificate of an Accountant stating that the financial statements examined present fairly the financial position of the Corporation at the end of the fiscal year, the results of its operations and the changes in its fund balances and its cash flows for the period examined, in conformity with generally accepted accounting principles applied on a consistent basis except for changes with which such Accountant concurs.

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

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

### No Disposition of Credit Facility

The Trustee shall not, without the prior written consent of the owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility except (i) to a successor Trustee, or (ii) to the

Credit Facility Provider 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 Construction Phase 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 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; make any additions, deletions or modifications to the Resolution which,

in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners; or during any period that all the Bonds bear interest at a Weekly Rate, to provide such changes (other than any changes that adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds) as are deemed necessary or desirable by the Corporation, if, not less than thirty days before the effective date of such changes, the Trustee sends notice of the proposed changes to the Bondholders and the Bondholders have the right to tender their Bonds for purchase before such effective date.

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. 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 2008 Bond (other than Purchased Bonds) tendered in accordance with the Resolution shall not be made when and as the same shall become due; (3) Reserved; (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 forty-five (45) days after written notice thereof by the Trustee or the owners of not less than five percent (5%) in principal amount of the Outstanding Bonds, or (5) receipt by the Trustee of written notice from the Credit Facility Provider that an “Event of Default” has occurred and is continuing under the Credit Agreement.

#### 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 shall proceed, or upon the happening and continuance of any Event of Default specified in clause (4) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject, in each such case, to

the provisions of the Resolution and the receipt of the written consent of the Credit Facility Provider, to protect and enforce the rights of the Bond owners by the remedies specified below for particular Events of Default, and such other of the remedies set forth in clauses (1) through (7) below, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bond owners, including the right to require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to the Mortgage Loan (subject to the provisions of the Assignment) and to require the Corporation to carry out any other covenants or agreements with such Bond owners, and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (5) with the written consent of the Credit Facility Provider in the case of an Event of Default or upon the direction described in clause (5) of the preceding paragraph in the case of an Event of Termination by immediately declaring all Bonds or, with respect to an Event of Termination, a portion of the 2008 Bonds in the principal amount specified by the Credit Facility Provider, due and payable whereupon, with respect to any affected 2008 Bonds, such Bonds shall be immediately redeemed, without premium, pursuant to the Resolution, provided that upon the happening and continuance of an Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee shall declare all Bonds due and payable; (6) in the event that all Outstanding Bonds are declared due and payable, by selling the Mortgage Loan (subject to the provisions of the Assignment) and any Investment Securities securing such Bonds; (7) by taking such action with respect to or in connection with the Credit Facility, in accordance with its terms, as the Trustee deems necessary to protect the interests of the owners of the 2008 Bonds; or (8) upon the happening and continuance of an Event of Termination and upon receipt of direction from the Credit Facility Provider, by carrying out a purchase of all or, if so designated by the Credit Facility Provider, a portion of, the 2008 Bonds pursuant to the Resolution on a date specified by the Credit Facility Provider, which date shall not be later than eight (8) days following receipt by the Trustee of such direction.

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (8) of the preceding paragraph, the owners of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction and provided, further, that notwithstanding the foregoing, the Credit Facility Provider shall be entitled to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution 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 twenty-five percent (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 2008 Bonds, such notice need not be given with respect to any 2008 Bonds for which the Trustee has proceeded to carry out a mandatory purchase of such 2008 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 2008 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; third, to the payment of amounts owed to the Credit Facility Provider under the Credit Agreement or under any other agreement or document securing obligations owed by the Mortgagor to the Credit Facility Provider or otherwise relating to the provision of the Credit Facility, including amounts to reimburse the Credit Facility Provider to the extent it has made payments under the Credit Facility and fourth, to the payment of amounts owed to the Construction Phase Credit Facility Provider under the Construction Phase Credit Documents or under any other agreement or document securing obligations owed by the Mortgagor to the Construction Phase Credit Facility Provider or otherwise relating to the provision of the Construction Phase Credit Facility, including amounts to reimburse the Construction Phase Credit Facility Provider to the extent it has made payments under the Construction Phase Credit Facility.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, first, to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds; second, to pay the Credit Facility Provider amounts owed to it under the Credit Agreement, including reimbursement to the extent it has made payments under the Credit Facility; and third, to pay the Construction Phase Credit Facility Provider amounts owed to it under the Construction Phase Credit Documents.

If, at the time the Trustee is to apply amounts in accordance with the provisions of the preceding paragraph, any of the Bonds Outstanding are Purchased Bonds, the Trustee shall make the payments with respect to the Bonds prescribed by the preceding paragraph, first, to the owners of all Bonds Outstanding other than Purchased Bonds and second, to the owner of Purchased Bonds.

#### Rights of the Credit Facility Provider

Notwithstanding anything contained in the Resolution to the contrary, (i) all rights of the Credit Facility Provider under the Resolution, including, but not limited to, the right to consent to, approve, initiate or direct extensions, remedies, waivers, actions and amendments thereunder shall (as to the Credit Facility Provider) cease, terminate and become null and void (a) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider, or (b) if the Credit Facility is no longer in effect; provided, however, that notwithstanding any such Wrongful Dishonor, the Credit Facility Provider shall be entitled to receive notices pursuant to the Resolution in accordance with the terms of the Resolution and (ii) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider or if the Credit Agreement is no longer in effect, all rights of the Credit Facility Provider with respect to the Principal Reserve Fund (including, but not limited to, directing the use of amounts therein) may be exercised by the Corporation.

#### Payments Due on Days Not Business Days

If the date for making any payment of principal or Redemption Price of or interest on any of the Bonds shall be a day other than a Business Day, then payment of such principal or Redemption Price of or interest on such Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for such payment, except that during any Weekly Rate Period, interest shall continue to accrue on any unpaid principal to such payment and ending on such next succeeding Business Day.

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

The 2008 Bonds are secured by the Letter of Credit, which is issued pursuant to the Credit Agreement that obligates the Mortgagor, among other things, to reimburse the Bank for funds provided by the Bank under the Letter of Credit and to pay various fees and expenses in each case as provided in the Credit Agreement. The Credit Agreement governs obligations of the Mortgagor to the Bank on account of the Bank providing such credit enhancement.

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

## The Letter of Credit

The Letter of Credit, which is irrevocable, shall be issued in an original stated amount of \$11,106,944 of which \$11,000,000 shall be with respect to the principal of the 2008 Bonds or the portion of the Purchase Price corresponding to the principal thereof, and \$106,944 shall be with respect to up to thirty-five (35) days of accrued interest with respect to the 2008 Bonds, or in each case the portion of the Purchase Price corresponding to interest at the Maximum Rate. The Letter of Credit shall be issued to the Trustee for the account of the Mortgagor. The stated amount of the Letter of Credit shall be reduced after the date of issuance in amounts equal to the amount of any drawing thereunder, subject to reinstatement as described below.

The Letter of Credit will terminate upon the earliest of: (i) the honoring of the final drawing available to be made under the Letter of Credit which is not subject to reinstatement; (ii) receipt by the Bank of a written notice that either no 2008 Bonds remain Outstanding or a substitute Credit Facility has been received by the Trustee; or (iii) May 2, 2011, the Letter of Credit expiration date. In addition, the Letter of Credit will terminate upon receipt by the Bank of written notice of the conversion of the interest rate borne by such Bonds to a Term Rate, the Fixed Rate or Flexible Rate (as defined in the Resolution).

## The Credit Agreement

Issuance of the Letter of Credit. The Mortgagor requested the issuance by the Bank of the Letter of Credit to enhance the marketability of the 2008 Bonds by securing a source of funds to be devoted exclusively to the payment by the Trustee, when and as due, of the principal or Purchase Price of and interest on the 2008 Bonds. The Bank has agreed to provide the Letter of Credit subject to certain terms and conditions as provided in the Credit Agreement. The Mortgagor has agreed to pay fees to the Bank in connection with the issuance and maintenance of the Letter of Credit and to indemnify the Bank in certain circumstances.

The Mortgagor agrees to reimburse the Bank in full for drawings made upon the Letter of Credit on the date each drawing is honored, or in the case of a drawing to acquire unremarketed 2008 Bonds, on the earliest to occur of (i) the Letter of Credit expiration date or (ii) the date of redemption of the related unremarketed 2008 Bonds.

Reduction. Upon payment by the Bank of a drawing to pay principal on the 2008 Bonds (upon maturity, acceleration or redemption, but not to acquire unremarketed 2008 Bonds), the amount available to be drawn under the Letter of Credit for payment of principal on the 2008 Bonds shall be reduced automatically and permanently by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing made by the Bank. In addition, upon payment by the Bank of any such drawing to pay principal on the 2008 Bonds upon maturity, acceleration or redemption, the amount available to be drawn under the Letter of Credit for payment of interest on the 2008 Bonds shall be reduced automatically and permanently in an amount equal to with respect to the 2008 Bonds, thirty-five (35) days' interest on the amount of such principal reduction in the amount available to be drawn under the Letter of Credit for payment of principal on the 2008 Bonds.

Upon payment by the Bank of a drawing to pay interest on the 2008 Bonds (other than interest on Pledged Bonds and on the 2008 Bonds paid upon maturity, acceleration or redemption), the amount available to be drawn under the Letter of Credit for the payment of interest on the 2008 Bonds shall be reduced automatically, subject to reinstatement as described below, by an amount equal to the amount so drawn, the reduction of such amount to be effective on the date payment of such drawing is made by the Bank.

Upon payment by the Bank of a drawing to acquire unremarketed 2008 Bonds, the stated amount of the Letter of Credit shall be reduced automatically, subject to reinstatement, as described below.

Reinstatement. The amount available to be drawn under the Letter of Credit for payment of interest on the 2008 Bonds shall be reinstated automatically in the full amount of the amount so drawn (other than such amounts pertaining to a drawing to pay interest on 2008 Bonds paid with a drawing to pay principal on the 2008 Bonds upon maturity, acceleration or redemption) immediately following payment of such drawing.

The amount available to be drawn under the Letter of Credit to acquire unremarketed 2008 Bonds will be reinstated upon receipt by the Bank of (i) an amount by which the Bank is then required to increase such amount (as to interest and/or principal); and (ii) notice from the Trustee in the appropriate form, unless prior to receipt by the Bank of such notice, the Trustee shall have received from the Bank notice or telephone notice, promptly confirmed in writing, of the occurrence of an event of default under the Credit Agreement.

#### Events of Default

Each of the following events, among others, shall be an event of default under the Credit Agreement (not all defaults under the Credit Agreement are listed below). Capitalized terms used below which are not defined in this Official Statement shall have the meaning set forth in the Credit Agreement and references to Sections and Articles are to Sections and Articles of the Credit Agreement.

(a) If the Mortgagor shall continue to be in default under any of the provisions or covenants of the Credit Agreement (other than covenants specifically referred to in Section 60) (i) for payment to reimburse any drawing pursuant to the terms of the Letter of Credit or making of any payment in connection with a Cap or other Hedging Arrangement or payment of any Letter of Credit Fees as and when due, (ii) for fifteen (15) calendar days after written notice from the Bank in the case of any default which can be cured by the payment of a sum of money, other than as set forth in subsection (i) above, or (iii) for thirty (30) days after written notice from the Bank in the case of any other default, unless a specific time period for performance is specifically set forth elsewhere in the Credit Agreement, provided that if such other default cannot be cured by the payment of money and cannot reasonably be cured within such thirty (30) day (or other period) period and the Mortgagor shall have commenced to cure such other default within such thirty (30) day (or other period) period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day (or other period) period shall be extended for so long as shall be reasonably required for the Mortgagor in the exercise of due diligence to cure such other default, it being agreed, that no such extension shall be for a period in excess of sixty (60) days, or shall be construed as having the effect of extending the Completion Date or the Credit Facility Termination Date;

(b) If a default shall occur and be continuing beyond any applicable grace and cure period under the Note, the Mortgage, the Loan Agreement, the Bond Resolution, the Regulatory Agreement, the HDC Commitment, any of the other Bond Documents or any one or more of the Credit Facility Documents;

(c) If an "Event of Default" beyond applicable notice and cure periods, shall occur and be continuing under any of the Bond Documents;

(d) If an Event of Taxability shall occur;

(e) If any survey required or requested by the Bank pursuant to the provisions of the Credit Agreement shows any material, adverse condition not approved by the Bank, and such condition is not removed within sixty (60) days after notice thereof by the Bank to the Mortgagor, unless if such default cannot reasonably be cured within such sixty (60) day period and the Mortgagor shall have commenced to cure such default within such sixty (60) day period and

thereafter diligently and expeditiously proceeds to cure the same, such sixty (60) day period shall be extended for so long as shall be reasonably required for the Mortgagor in the exercise of due diligence to cure such other default;

(f) If the Improvements are not completed substantially in accordance with the provisions of the Plans and Specifications or of the Credit Agreement on or before the Completion Date, subject to Unavoidable Delay;

(g) If construction of the Improvements is suspended for a period of fifteen (15) consecutive Business Days other than by reason of the occurrence of an event of Unavoidable Delay, or if construction of the Improvements in the reasonable judgment of the Bank or the Construction Consultant is not carried on with reasonable diligence within thirty (30) days of the Mortgagor's receipt of written notice thereof;

(h) If the Mortgagor shall fail to cover any Construction Loan Deficiency, any General Project Cost Deficiency or any Non-Qualified Cost Deficiency in the manner and within the time period respectively specified in sections of the Credit Agreement;

(i) Except for leases of individual residential apartments in the ordinary course of business, if the Mortgagor shall sell, assign, or transfer the Property or any part thereof or if any direct or indirect transfer or change in the Mortgagor occurs, in whole or in part, without the prior written consent of the Bank, except that the Bank will consent to a syndication of the Tax Credits and the Tax Credit Purchaser transferring its membership interests in the Mortgagor to an affiliated entity wholly controlled by or under common control of Wachovia Securities, so long as prior written notice of same is delivered to the Bank;

(j) Except for any leases for equipment and similar items in the ordinary course of the Mortgagor's business, if the Mortgagor executes any chattel mortgage or other security agreement with respect to any materials, equipment, furniture or fixtures used in the construction of the Improvements or the operation of the Improvements or with respect to any articles of personal property constituting part of the Premises, or if any such materials, equipment, furniture, fixtures or articles of personal property are not substantially in accordance with the Plans and Specifications or are leased or purchased pursuant to any conditional sales contract or other security agreement or otherwise so that the ownership thereof will not vest unconditionally in the Mortgagor free from encumbrances upon being made a part of the Premises;

(k) If any of the covenants set forth in any one or more of the Credit Facility Documents cease to be complied with beyond the expiration of applicable notice and cure periods at any time during the term of the Credit Facility to the extent the covenants are in effect;

(l) If any one or more of the Credit Facility Documents shall cease to be in full force or effect or shall cease to constitute, or to continue as, a lien on the assets, property or collateral purported to be encumbered thereby, and such default has not been cured within fifteen (15) Business Days after notice thereof by the Bank to the Mortgagor or such additional time as is reasonably necessary to cure such default, provided that such default is susceptible to cure and such extended time does not exceed an additional thirty (30) days;

(m) If the Contractor or any Guarantor pursuant to any Guaranty or Environmental Indemnity executed and delivered by the Contractor or the respective Guarantor shall disclaim all or any portion of the Contractor's or such Guarantor's obligations pursuant to any Guaranty or Environmental Indemnity or shall otherwise be in default, beyond the expiration of any applicable grace and cure periods, under any Guaranty or Environmental Indemnity or if there is a material

adverse change in the financial condition of the Contractor or any Guarantor for so long as any Guaranty or Environmental Indemnity remains in effect;

(n) If the Mortgagor fails to obtain the 420(c) Exemption prior to the Permanent Conversion or fails to maintain the 420(c) Exemption after Permanent Conversion;

(o) If a default occurs beyond applicable notice and cure periods under the Freddie Mac Documents, the Assignment of Loan Proceeds, the Assignment of Rents, the Investor Equity Assignment, the Pledge and Security Agreement, the Assignment of Loan Proceeds, the Building Account Assignment and Security Agreement, the Hedging Documents and/or the Collateral Assignment of Membership Interests;

(p) If a default beyond any applicable notice and cure period shall occur and be continuing under the documentation executed in connection with the receipt and/or sale of the Tax Credits;

(q) If a default beyond any applicable notice and cure period shall occur under any other note or loan agreement given by the Mortgagor to the Bank;

(r) If a default occurs beyond applicable notice and cure periods under the HDC Commitment;

(s) If a default occurs beyond any applicable notice and cure period under any deed applicable to the Property or the Regulatory Agreement;

(t) If the Mortgagor fails to maintain the Mortgagor's Minimum Cash Equity Investment in the Equity Account in accordance with Section 29 of the Credit Agreement;

(u) If there is a default, beyond the applicable notice and cure periods, under the Master Lease;

(v) If the Mortgagor shall at any time fail to be a Single Purpose Entity;

(w) If any representation or warranty made to the Bank or the Corporation in the Credit Agreement, any of the Bond Documents or any of the other Credit Facility Documents shall be incorrect in any material respect when made or remade and same has a material adverse effect on the Mortgagor, the Bank or the Premises;

(x) If by order of a court of competent jurisdiction, a trustee, receiver or liquidator of the Premises or any part thereof, or of the Mortgagor, shall be appointed and such order shall not be discharged or dismissed within ninety (90) days after such appointment;

(y) If the Mortgagor shall file a petition in bankruptcy or for an arrangement or for reorganization pursuant to the federal bankruptcy act or any similar federal or state law, or if, by decree of a court of competent jurisdiction, the Mortgagor shall be adjudicated a bankrupt, or be declared insolvent, and same shall not be appealed, or if the Mortgagor shall make an assignment for the benefit of creditors, or shall be generally unable or admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or receivers of all or any part of its property;

(z) If any of the creditors of the Mortgagor shall file a petition in bankruptcy against the Mortgagor or for reorganization of the Mortgagor pursuant to the federal bankruptcy act or

any similar federal or state law, and if such petition shall not be discharged or dismissed within ninety (90) days after the date on which such petition was filed;

(aa) If final judgment for the payment of money which is not covered by insurance, and which shall have a material adverse effect on the Mortgagor or the Premises, shall be rendered against the Mortgagor and the Mortgagor shall not discharge the same or cause it to be discharged within ninety (90) days from the entry thereof, or shall not appeal therefrom or from the order, decree or process upon which or pursuant to which said judgment was granted, based or entered, and secure a stay of execution pending such appeal;

(bb) For so long as any Guaranty is in effect, if any of the events enumerated in clauses (x) through (aa) of this section shall happen to any Guarantor thereunder or such Guarantor's property or at any time prior to the Permanent Conversion Date, if any of the events enumerated in clauses (x) through (aa) of this section shall happen to the Contractor or the Contractor's property;

(cc) If there shall occur a default by the Mortgagor which is not cured within the applicable grace period, if any, under any loan under which the Mortgagor is the obligor, including the Loan;

(dd) If the Mortgagor shall violate or allow to be violated, beyond any applicable notice and cure periods, any applicable law, rule, regulation or ordination of the New York State Division of Housing and Community Renewal which is applicable to the Mortgagor and/or the Premises and any such violation has a material adverse effect on the Mortgagor or the Premises;

(ee) If the Mortgagor shall do any act or fail to do any act which constitutes or causes a violation under any law, rule, regulation or ordinance governing the granting of the Tax Credits to the Mortgagor or the Premises which has a material adverse effect on the Mortgagor or the Premises;

(ff) If the Mortgagor fails to comply, beyond any applicable notice and cure periods, with the provisions of the Credit Agreement with respect to the Principal Reserve Fund;

(gg) If (i) the Mortgagor fails to pay when due or within the applicable grace period any amount payable by the Mortgagor under any Hedging Arrangement, or (ii) there occurs any other default, beyond any applicable notice and cure period, by the Mortgagor under any Hedging Arrangement;

(hh) If the Mortgagor shall fail to comply with all of the Permanent Conversion Conditions on the Permanent Conversion Date, as same may be extended pursuant to Section 90 of the Credit Agreement;

(ii) If the Mortgagor shall fail to reimburse the Bank (a) within fifteen (15) days of any drawing to acquire unremarketed Bonds made under the Credit Facility or (b) upon the due date for a scheduled principal or interest payment due with respect to loans made in connection with unremarketed Bonds;

(jj) If prior to the Permanent Conversion Date, (a) Contractor shall disclaim all or any portion of Contractor's obligations pursuant to the Contractor Guaranty of Completion, (b) Contractor shall otherwise be in default, beyond the expiration of any applicable grace and cure periods, under the Contractor Guaranty of Completion or (c) there is a material adverse change in the financial condition of Contractor as determined by the Bank;

(kk) If (a) any Guarantor shall disclaim all or any portion of such Guarantor's obligations pursuant to any Guaranty, (b) any Guarantor shall otherwise be in default, beyond the expiration of any applicable grace and cure periods, under any Guaranty; or (c) there is a material adverse change in the financial condition of any Guarantor;

(ll) If a draw is made by Freddie Mac under the Freddie Mac Letter of Credit;

(mm) If a default occurs beyond applicable notice and cure periods under the Freddie Mac Commitment, the Servicer Commitment or the HDC Commitment or any of such commitments expire prior to Permanent Conversion;

(nn) If beyond applicable notice and cure periods the Permanent Conversion does not occur on or before the Freddie Mac Commitment Maturity Date;

(oo) If there is a default under or the Nominee fails to comply with the Nominee Agreement;

(pp) If there is a default under the Non-Bond Mortgage or the commitment to issue the 421a Fund Loan beyond the expiration of any applicable notice and cure period.

Remedies. Upon the occurrence of an Event of Default and for so long as such Event of Default shall be continuing, the Bank may, at its option and in its sole and absolute discretion:

- (a) declare the indebtedness evidenced and secured by the First Note and the First Mortgage immediately due and payable;
- (b) instruct the Trustee pursuant to the Resolution to declare all or a portion of the Bonds immediately due and payable and to present an A Drawing and a B Drawing (as such terms are defined in the Credit Agreement) under the Letter of Credit to effect the mandatory redemption of all or a portion thereof pursuant to the Resolution;
- (c) direct the Trustee to call all or a portion of the Bonds for mandatory purchase pursuant to the Resolution and to present a Default C Drawing (as defined in the Credit Agreement) under the Letter of Credit to effect the payment of the purchase price of all or a portion thereof pursuant to the Resolution,
- (d) cease authorizing the Trustee to make disbursements out of the Bond Proceeds Account to the Mortgagor,
- (e) apply any amounts in the Equity Account, the Building Account, the Insurance Account, the Escrow Fund (as such terms are defined in the Credit Agreement), and/or any other sums belonging to the Mortgagor or Guarantor and under the control of the Bank to reduce the Debt and/or complete the Improvements,
- (f) declare the Debt to be immediately due and payable,
- (g) pursue any and all rights, remedies and/or powers provided for in any one or more of the Credit Facility Documents, or otherwise available,
- (h) require cash collateral or a letter of credit satisfactory to the Bank in an amount equal to the amount of the Credit Facility,



- (i) authorize disbursement from the Principal Reserve Fund in accordance with the Resolution, and/or
- (j) pursue any combination of the foregoing to the full extent not mutually exclusive.

Upon the occurrence of an Event of Default and for so long as such Event of Default shall be continuing, whether or not the Debt shall be or shall have been declared due and payable or the Bank shall have instituted any foreclosure or other action for the enforcement of the Credit Facility Documents, the Bank may, in addition to any other remedies which the Bank may have under the Credit Facility Documents and in the Bank's sole and absolute discretion:

(a) if the Bonds remain outstanding, using Bond Proceeds and/or any amounts in the Equity Account, the Insurance Account, the Escrow Fund and the Building Account (as such terms are defined in the Credit Agreement) to the extent of their availability, enter upon the Premises (as defined in the Credit Agreement) and complete the Improvements in accordance with the Plans and Specifications (as defined in the Credit Agreement) with such changes therein as the Bank may deem appropriate and employ watchmen to protect the Improvements, all at the risk, cost and expense of the Mortgagor;

(b) at any time discontinue any work commenced in respect of the Improvements or change any course of action undertaken by it and not bound by any limitations or requirements of time whether set forth herein or otherwise;

(c) assume any contract made by the Mortgagor in any way relating to the Improvements and take over and use all or any part of the labor, materials, equipment, furniture, fixtures and articles of personal property contracted for by the Mortgagor, whether or not previously incorporated into the Improvements; and/or

(d) in connection with any construction of the Improvements undertaken by the Bank pursuant to the provisions of this section, (w) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials, equipment, furniture, fixtures and articles of personal property in connection with the construction of the Improvements, (x) pay, settle or compromise all bills or claims which may become liens against the Property, or any portion thereof, or which have been or may be incurred in any manner in connection with completing construction of the Improvements, and irrespective of whether any of the same have been incurred by the Mortgagor, the Bank or any other person or party, (y) pay all sums and take all action necessary to effect the discharge of liens or encumbrances on, or to effect the cure of defects in, the title of the Premises, or any portion thereof, and irrespective of whether any of the same have been cause by any act or omission of the Mortgagor, the Bank or any other person or party, and (z) take or refrain from taking such action hereunder as the Bank may from time to time determine in its sole and absolute discretion. The Mortgagor shall be liable to and indemnify the Bank for all sums paid or incurred by the Bank to construct and equip the Improvements in the manner contemplated by the Credit Agreement and issuance of the Credit Facility.

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

## **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 2008 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 2008 Bonds, or in any way impair the rights and remedies of such owners until the 2008 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 2008 Bonds, are fully met and discharged.

## **TAX MATTERS**

### Opinion of Bond Counsel to the Corporation

In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions, (i) interest on the 2008 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to the exclusion of interest on any 2008 Bond for any period during which such 2008 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2008 Bonds or a “related person,” and (ii) interest on the 2008 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering such opinion, Bond Counsel to the Corporation has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor and others, in connection with the 2008 Bonds, and Bond Counsel to the Corporation has assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with the applicable requirements of the Code to assure the exclusion of interest on the 2008 Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel to the Corporation, under existing statutes, interest on the 2008 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel to the Corporation expresses no opinion regarding any other Federal or state tax consequences with respect to the 2008 Bonds. Bond Counsel to the Corporation renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the Corporation expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2008 Bonds, or the exemption of interest on the 2008 Bonds from personal income taxes under state and local tax law.

### Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2008 Bonds for purposes of Federal income taxation requires that (i) at least 25% of the units in the Project financed by the 2008 Bonds be occupied during the “Qualified Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% of the median income for the area, as adjusted for family size, and (ii) all of the units of the Project be rented or available for rental on a continuous basis during the Qualified Project Period. “Qualified Project Period” for the Project means a period commencing upon the later of (a) occupancy of 10% of the units in the Project or (b) the date of issue of the 2008 Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in such Project, (ii) the first date on which no tax-exempt private activity bonds issued with respect

to the Project are outstanding, or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the 1937 Housing Act terminates. The Project will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the Project must be rented to an individual having an income of 60% or less of the area median income. In the event of noncompliance with the above requirements arising from events occurring after the issuance of the 2008 Bonds, the Treasury Regulations provide that the exclusion of interest on the 2008 Bonds from gross income for Federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2008 Bonds in order that interest on the 2008 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 2008 Bonds, yield and other limits regarding investment of the proceeds of the 2008 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 2008 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 2008 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 2008 Bonds is payable.

#### Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2008 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2008 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 2008 Bonds.

Prospective owners of 2008 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and certain foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2008 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

#### Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the 2008 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9 "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including

corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2008 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2008 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

### Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2008 Bonds under Federal or state law and could affect the market price or marketability of the 2008 Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the 2008 Bonds, will not have an adverse effect on the tax exempt status, market price or marketability of the 2008 Bonds. Prospective purchasers of the 2008 Bonds should consult their own tax advisers regarding the foregoing matters.

Prospective purchasers of the 2008 Bonds should consult their own tax advisors regarding the foregoing matters.

## **NO LITIGATION**

### The Corporation

At the time of delivery and payment for the 2008 Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation substantially to the effect that there is no litigation or other proceeding now pending or threatened against the Corporation of which the Corporation has notice or, to the knowledge of the Corporation, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2008 Bonds, or in any way contesting or affecting the validity of the 2008 Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the financing of the Mortgage Loan, the Non-Bond Loan or the 421a Fund Loan or the pledge or application of any moneys or security provided for the payment of the 2008 Bonds or the existence or powers of the Corporation, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto.

### The Mortgagor

At the time of delivery and payment for the 2008 Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of the Mortgagor substantially to the effect that, there is no litigation of any nature now pending or, to the knowledge of the Mortgagor or its partners, threatened against and in any way adversely affecting the existence of the Mortgagor, its partners or the Guarantors, involving the Project or seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2008 Bonds or the financing of the Mortgage Loan, the Non-Bond Loan or the 421a Fund Loan or the acquisition, construction or equipping of the Project, or in any way contesting or affecting the validity or enforceability of the 2008 Bonds or the 2008 Bond documents to which the Mortgagor is a party or any proceedings of the Mortgagor taken with respect to the sale, execution or delivery thereof, or the application of any moneys or security provided for the payment of the 2008 Bonds, or contesting in any

way the completeness or accuracy of the Official Statement or contesting the powers or authority of the Mortgagor with respect to the 2008 Bond documents to which it is a party or, to the knowledge of the Mortgagor or its partners, without independent inquiry, challenging the exclusion of interest on the 2008 Bonds from gross income for Federal income tax purposes.

### **CERTAIN LEGAL MATTERS**

All legal matters incident to the authorization, issuance, sale and delivery of the 2008 Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for the Bank by its counsel, Edwards Angell Palmer & Dodge LLP, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its counsel, Cannon Heyman & Weiss, LLP, Buffalo, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Hiscock & Barclay, LLP, New York, New York.

### **LEGALITY OF 2008 BONDS FOR INVESTMENT AND DEPOSIT**

Under the provisions of Section 662 of the Act, the 2008 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 2008 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or hereafter authorized.

### **RATINGS**

Moody's Investors Service, Inc. has assigned to the 2008 Bonds a rating of "Aaa/VMIG 1" based on the long and short term ratings of the Bank. Such ratings reflect only the view of such organization and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the 2008 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 2008 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 five percent (5%) of the 2008 Bonds 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 2008 Bond.

Additional information may be obtained from the Corporation at 110 William Street, 10th Floor, New York, New York 10038, (212) 227-5500 or through its internet address: [www.nychdc.com](http://www.nychdc.com).

## 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 2008 Bonds.

This Official Statement is submitted in connection with the sale of the 2008 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/ Marc Jahr  
President

Dated: November 17, 2008

**DEFINITIONS OF CERTAIN TERMS**

This Appendix A contains definitions of certain terms contained in the Resolution, Letter of Credit, Credit Agreement, Assignment and Mortgage Note and should be read as describing the terms used in each document individually. It does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution, Letter of Credit, Credit 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, Letter of Credit, Credit Agreement, Assignment and Mortgage Note for the 2008 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, any general partner of the Mortgagor, the Corporation or the Credit Facility Provider, as and if applicable, under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect.

“Additional Bonds” means Bonds, other than the 2008 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 Construction Phase Credit Facility or the Initial Permanent Phase Credit Facility, as the case may be, including, but not limited to, a letter of credit, guaranty, standby loan commitment, bond or mortgage insurance policy, standby purchase agreement, Credit Enhancement Agreement, collateral agreement or surety bond, mortgage-backed security or other credit or liquidity facility issued by a financial institution, including, without limitation, Freddie Mac, or any combination thereof, (i) approved by the Corporation and delivered to the Trustee for the benefit of the owners of the Bonds (except that a mortgage insurance policy may be delivered to the Corporation), (ii) replacing any existing Credit Facility, (iii) dated as of a date not later than the expiration date of the Credit Facility for which the same is to be substituted, if a Credit Facility is then in effect, (iv) which shall expire not earlier than a date which is fifteen (15) days after an Interest Payment Date for the Bonds (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 2008 Bonds at the time Outstanding, plus (y) the Interest Requirement, and (b) if said Alternate Security must provide for payment of the Purchase Price upon the exercise by any Bond owner of the Demand Purchase Option.

“Assignment” means the Assignment and Intercreditor Agreement with respect to, among other things, the Mortgage Loan, by the Corporation to the Trustee and the Initial Construction Phase Credit

Facility Provider, and acknowledged, accepted and agreed to by the Mortgagor, as the same may be amended, modified or supplemented from time to time.

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

“Beneficial Owner” means, whenever used with respect to a 2008 Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant or such person’s subrogee.

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

“Bond Counsel to the Corporation” means an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Corporation after consultation with the Credit Facility Provider, and satisfactory to the Trustee.

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

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

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

“Bond Year” means a twelve-month period ending on the anniversary of the date of issuance of a Series of Bonds in any year.

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which the Federal Reserve Bank of New York (or other agent acting as the Credit Facility Provider’s fiscal agent identified to the Trustee) is authorized or obligated by law or executive order to remain closed, (d) a day on which the permanent home office of the Credit Facility Provider is closed, (e) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Trustee, the Tender Agent or the Remarketing Agent is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (f) so long as any Series of Bonds is held in book-entry form, a day on which DTC is closed.

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



“Change Date” means (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Facility Provider pursuant to the provisions of the Resolution for carrying out a purchase of the 2008 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 2008 Bonds pursuant to the Resolution in connection with a Notice of Prepayment of the Mortgage Loan in Full.

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

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

“Commitment” means the Financing Commitment and Agreement dated as of November 4, 2008, between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

“Construction Phase” means the period beginning on the date of issuance of the 2008 Bonds and ending upon the Conversion Date.

“Construction Phase Credit Facility” means the Initial Construction Phase Credit Facility or, prior to the Conversion Date, and also on and after the Transition Date, any Alternate Security.

“Construction Phase Credit Facility Provider Assignment” means the Assignment of Rights and Interests, dated as of the Conversion Date, from the Initial Construction Phase Credit Facility Provider to the Initial Permanent Phase Credit Facility Provider, and acknowledged and agreed to by the Mortgagor and the Trustee, as it may be amended, supplemented or restated from time to time; the Construction Phase Credit Facility Provider Assignment shall be in substantially the form of Exhibit I to the Construction Phase Financing Agreement, with such changes as shall be approved or required by the Initial Permanent Phase Credit Facility Provider.

“Construction Phase Financing Agreement” means the agreement dated as of November 1, 2008 by and among the Initial Construction Phase Credit Facility Provider, MMA Mortgage Investment Corporation, Freddie Mac and the Mortgagor.

“Conversion” means conversion of the Mortgage Loan from the Construction Phase to the Permanent Phase.”

“Conversion Date” means the date of the Conversion of the Mortgage Loan pursuant to the Construction Phase Financing Agreement, which date shall be the first day of a calendar month, or if such day is not a Business Day, the next succeeding Business Day.

“Conversion Notice” means a written notice to be delivered not less than twelve (12) days prior to the Conversion Date by the Servicer to the Corporation, the Trustee, the Remarketing Agent, the Mortgagor, the Bank (if the Credit Facility Agreement is in effect) or the provider of an Alternate Security (if an Alternate Security is in effect prior to the Conversion Date), as applicable, and Freddie Mac given on or before the Forward Commitment Maturity Date (i) stating that the conditions to Conversion have been satisfied on or before the Forward Commitment Maturity Date or, if any condition to Conversion has not been so satisfied, specifying each condition to Conversion that has been waived in writing by Freddie Mac (if a waiver is permitted) on or before the Forward Commitment Maturity Date, (ii) confirming the Conversion Date, and (iii) attaching the Schedule of Deposits to the Principal Reserve Fund provided for in the Credit Agreement with respect to the Initial Permanent Phase Credit Facility.

“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, (i) with respect to the Initial Construction Phase Credit Facility, the Credit and Disbursement Agreement dated as of November 1, 2008, between the Initial Construction Phase Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, (ii) with respect to the Initial Permanent Phase Credit Facility, the Reimbursement and Security Agreement dated as of a date on or before the Conversion Date between the Initial Permanent Phase Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time and (iii) 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 Construction Phase Credit Facility, the Initial Permanent Phase 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 2008 Bonds.

“Credit Facility Payments” means amounts obtained under a Credit Facility with respect to the 2008 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 Construction Phase Credit Facility is in effect, the Initial Construction Phase Credit Facility Provider, or, so long as the Initial Permanent Phase Credit Facility is in effect, the Initial Permanent Phase 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 2008 Bonds for purchase of any 2008 Bond upon the demand of the owner thereof as described in the Resolution.

“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, or (ii) any date on which the Credit Facility terminates or expires and is not extended or replaced by a new Credit Facility.

“Forward Commitment Maturity Date” means May 1, 2011, subject to extension by Freddie Mac in its sole discretion.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, 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.

“Guarantors” means, collectively, Allan Arker, Sol Arker, Alex Arker and Daniel Moritz.

“Guaranty” means certain guaranty obligations of any Key Principal set forth those certain guaranty agreements executed for the benefit of the Bank.

“Initial Construction Phase Credit Facility” means the irrevocable direct-pay letter of credit issued by the Initial Construction Phase Credit Facility Provider, securing the 2008 Bonds on the initial issuance.

“Initial Construction Phase Credit Facility Provider” means Bank of America, N.A., and its successors and assigns.

“Initial Permanent Phase Credit Facility” means the Credit Enhancement Agreement, dated the Conversion Date, between the Initial Permanent Phase Credit Facility Provider and the Trustee, as the same may be amended, modified or supplemented from time to time.

“Initial Permanent Phase Credit Facility Provider” means Freddie Mac, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and its successors and assigns.

“Interest Method Change Date” means any date on which the method of determining the interest rate on the 2008 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 2008 Bonds at the Maximum Rate or such other number of days as may be permitted or required by the Rating Agency.

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

- (A) So long as the Initial Permanent Phase Credit Facility is in effect,
- (a) direct and general obligations of the United States of America;
  - (b) obligations of any agency or instrumentality of the United States of America the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America;
  - (c) senior debt obligations of Freddie Mac;
  - (d) senior debt obligations of the Federal National Mortgage Association;
  - (e) demand deposits or time deposits with, or certificates of deposit issued by, the Trustee or its affiliates or any bank organized under the laws of the United States or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Trustee or such other institution has been rated at least P-1 by Moody's which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation;
  - (f) investment agreements with Freddie Mac or a bank or any insurance company or other financial institution which has a rating assigned by the Rating Agency to its outstanding long-term unsecured debt which is the highest rating (as defined below) for long-term unsecured debt obligations assigned by the Rating Agency, and which are approved by the Initial Credit Facility Provider; or
  - (g) shares or units in any money market mutual fund (including mutual funds of the Trustee or its affiliates) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of direct obligations of the United States government, and which fund has been rated Aaa or the equivalent by the Rating Agency. For purposes of this definition, the "highest rating" shall mean a rating of at least P-1 or the equivalent for obligations with less than one year maturity; at least Aa2/P-1 or the equivalent for obligations with a maturity of one year or greater but less than three years; and at least Aaa or the equivalent for obligations with a maturity of three years or greater. Investment Securities must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

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

- (1) Government Obligations;
- (2) any bond, debenture, note, participation certificate or other similar obligation issued by any one or combination of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Farm Credit System Banks Consolidated Obligations, Banks for Cooperatives, Tennessee Valley Authority, Washington Metropolitan Area Transportation Authority, United States Postal Service, Farmers' Home Administration and Export Import Bank of the United States;
- (3) any bond, debenture, note, participation certificate or other similar obligation issued by any Federal agency and backed by the full faith and credit of the United States of America;
- (4) any other obligation of the United States of America or any Federal agencies which may be purchased by New York State Savings Banks;

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

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

(7) short-term corporate obligations, known as Commercial Paper, with a maturity of up to ninety (90) days which are issued by corporations that are deemed by a nationally recognized rating service to be in the highest rating category of such rating service;

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

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

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

(11) obligations in which the Comptroller of the State of New York is authorized to invest in as specified in Section 98 of the State Finance Law, as amended from time to time; and

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

“Key Principal” means the Guarantors who guarantee certain obligations of the Mortgagor to the Bank which are recourse to the partners of the Mortgagor under certain limited circumstances.

“Letter of Credit” means the Letter of Credit, dated the date of initial issuance of the 2008 Bonds, executed and delivered by the Bank to the Trustee, as such Letter of Credit may be amended, modified, supplemented or restated from time to time.

“Letter of Representations” means the Blanket Issuer Letter of Representations, dated April 26, 1996, from the Corporation to DTC, applicable to the 2008 Bonds.

“Loan Agreement” means the Financing Agreement dated as of November 1, 2008, 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 Mortgage Loan Prepayment” shall have the same meaning as “Mandatory Prepayment”, as such term is defined in the Mortgage and the Mortgage Note.

“Mandatory Purchase Provision” means the purchase provision of the 2008 Bonds for the purchase of any 2008 Bonds on any Change Date pursuant to the Resolution.

“Maximum Rate” means, prior to the Conversion Date, and also from and after the Transition Date, of ten percent (10%) per annum, and after the Conversion Date twelve percent (12%) per annum or such higher rate as may be established in accordance with the provisions of the Resolution.

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

“Mortgage” means (i) prior to the Conversion Date and on and after the Transition Date, the Acquisition Loan Mortgage, the Construction Loan Mortgage and the Project Loan Mortgage (together with all addenda and riders) each dated as of November 25, 2008 securing the Mortgage Note, executed by the Mortgagor and Westchester 2 Housing Development Fund Corp. with respect to the Project, as the same may be amended, modified or supplemented from time to time, and (ii) from and after the Conversion Date, the Amended and Restated Multifamily Mortgage, Assignment of Rents and Security Agreement (together with all addenda and riders) securing the Mortgage Note, dated as of a date on or before the Conversion Date, executed by the Mortgagor with respect to the Project in favor of the Corporation and assigned by the Corporation to the Trustee and the Initial Permanent Phase Credit Facility Provider, as their interests may appear, 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 for purpose of financing the Project.

“Mortgage Note” means the Acquisition Loan Mortgage Note, the Construction Loan Mortgage Note and the Project Loan Mortgage Note (together with all addenda), evidencing the Mortgage Loan each dated as of the date of initial issuance of the 2008 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 relating to Principal Reserve Fund payments, but not (a) the Facility Fee, (b) late charges, (c) default interest, (d) escrow payments for reserves, taxes, insurance and other impositions, and (e) payments pursuant to any Ancillary Collateral Agreement.

“Mortgage Rights” means, with respect to the Mortgage Loan, without limitation, all of the rights under the Mortgage Documents and the Loan Agreement (other than those rights set forth below) including without limitation, the right to receive any and all payments thereunder and all of the rights and interests under the Mortgage Note, the Mortgage and the other Mortgage Documents and the Loan Agreement, to direct actions, grant consents, grant extensions, grant waivers, grant requests, give approvals, give directions, exercise remedies, exercise forbearance, give releases, make appointments, make decisions, take actions, apply partial payments, apply late charges, apply default interest, apply escrow payments for reserves, taxes, insurance and other impositions, 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, and the right, power and authority to delegate the right, power and authority to, enter into agreements, documents and instruments ancillary to or otherwise relating to the Mortgage Loan, including agreements with respect to the servicing of the Mortgage Loan and the establishment of custodial and other accounts for the deposit of funds payable by the Mortgagor under the Mortgage Documents and collected by the Credit Facility Provider or the Servicer, as applicable, and to vest in its assignee such rights, powers and authority as may be necessary to implement any of the foregoing. “Mortgage Rights” does not include the Mortgage Note Payments Interest, which is reserved to the

Trustee (except as provided in the Assignment) and those rights reserved to the Corporation solely in its capacity as the Corporation under the Loan Agreement.

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

“Non-Bond Mortgage” means, collectively, the mortgage or mortgages or other instruments securing the loan or loans made by the Corporation to the Mortgagor with funds other than the proceeds of the 2008 Bonds for the development of the Project.

“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 2008 Bonds as securities depository.

“Permanent Phase” means the permanent phase of the Mortgage Loan commencing on the Conversion Date.

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

“Pledge Agreement” means, (i) with respect to any Credit Facility Provider other than the Initial Permanent Phase Credit Facility Provider, any agreement between the Mortgagor and the Credit Facility Provider or the Trustee pursuant to which the Mortgagor agrees to pledge 2008 Bonds to the Credit Facility Provider in connection with the provision of moneys under such Credit Facility and (ii) with respect to the Initial Permanent Phase Credit Facility Provider and the Initial Permanent Phase Credit Facility, the Pledge, Security and Custody Agreement, dated as of the Conversion Date, between the Mortgagor and the Trustee, as custodian and collateral agent for the Initial Credit Facility Provider, in each case, as the same may be amended, modified or supplemented from time to time.

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

“Pre-Conversion Loan Equalization Payment” shall have the meaning set forth in the Construction Phase Financing 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”, (i) when used with respect to the Trustee shall mean Deutsche Bank Trust Company Americas, 60 Wall Street, 27th Floor, New York, New York 10005, Attention: Trust & Securities Services, (ii) 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 this Resolution, (iii) when used with respect to the Remarketing Agent shall mean J.P. Morgan Securities Inc., 270 Park Avenue, 20th Floor, New York, NY 100174, and (iv) when used with respect to the Initial Permanent Phase Credit Facility Provider shall mean Federal Home Loan Mortgage Corporation, 8100 Jones Branch Drive, McLean, Virginia 22102 or such other offices designated to the Corporation in writing by the Trustee, Tender Agent, Remarketing Agent or Initial Permanent Phase Credit Facility Provider, as the case may be.

“Principal Reserve Amount” means on and after the Conversion Date, twenty per centum (20%) of the principal amount of the Bonds Outstanding immediately following the Conversion Date (or such other amount as shall be specified in writing by the Credit Facility Provider and filed with the Corporation and the Trustee), less the amount on deposit in any collateral or sinking fund held by the Trustee or certified by the Mortgagor as being held as security for, or to pay, the obligations of the Mortgagor relating to debt service on the Mortgage Loan; 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 to the Corporation’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, to be located at 866 Hewitt Place and 886 Westchester Avenue in the Borough and County of Bronx, City and State of New York, as more fully described under the caption “THE PROJECT AND THE MORTGAGOR — The Project” herein.

“Purchased Bond” means any 2008 Bond during the period from and including the date of its purchase by the Trustee on behalf of and as agent for the Mortgagor with amounts provided by the Credit Facility Provider under the Credit Facility, to, but excluding, the date on which such 2008 Bond is remarketed to any person other than the Credit Facility Provider, the Mortgagor, any partner or member of the Mortgagor or the Corporation.

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

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



“Rebate Amount” means, with respect to a particular Series of Bonds to which the 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, (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, (vi) proceeds of the Mandatory Mortgage Loan Prepayment, or (vii) a Pre-Conversion Loan Equalization Payment.

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

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

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

“Regulatory Agreement” means the Regulatory Agreement dated as of the date of initial issuance of the 2008 Bonds, by and among the Corporation, the Mortgagor and Westchester 2 Housing Development Fund Corp., as the same may be amended or supplemented from time to time.

“Remarketing Agent” means J.P. Morgan Securities Inc., or any of its successors appointed in accordance with the terms of the Resolution.

“Remarketing Agreement” means the Remarketing Agreement dated as of the date of initial issuance of the 2008 Bonds, by and among the Mortgagor, the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any replacement thereof.

“Resolution” means the Multi-Family Mortgage Revenue Bonds (Hewitt House Apartments) Bond Resolution adopted by the Corporation on October 31, 2008 and any amendments or supplements made in accordance with its terms.

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

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

“Series” means the 2008 Bonds or any series of Additional Bonds.

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

“Sinking Fund Payment” means, with respect to a particular Series, as of any particular date of calculation, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Corporation by reason of the maturity of a Bond or by call for redemption at the election of the Corporation. Upon the initial issuance of the 2008 Bonds, no Sinking Fund Payments are being established with respect to such 2008 Bonds.

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

“State” means the State of New York.

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

“Tender Agent” means Deutsche Bank Trust Company Americas, 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 2008 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 Bond owners are permitted under the Resolution to tender their Bonds for purchase.

“Transition Date” means the date, if any, which is the day following the Forward Commitment Maturity Date if the Conversion Date does not occur on or before the Forward Commitment Maturity Date.

“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.

“2008 Bonds” means the Bonds of such name authorized to be issued 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 2008 Bonds, the date of such issuance and delivery, (ii) with respect to any Weekly Rate Term following another Weekly Rate Term, Thursday 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 2008 Bonds, as described in “DESCRIPTION OF THE 2008 BONDS — Weekly Rate Period.”

“Weekly Rate Period” means any period of time during which the 2008 Bonds bear interest at the Weekly Rate.

“Weekly Rate Term” means with respect to any particular 2008 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 (a) with respect to the Initial Construction Phase Credit Facility or any Credit Facility other than the Initial Permanent Phase Credit Facility (i) an uncured and willful default by the Credit Facility Provider, or (ii) an uncured default resulting from the gross negligence of the Credit Facility Provider, in each case, of its obligations to honor a request for payment or a drawing made in accordance with the terms of the Credit Facility, and (b) with respect to the Initial Permanent Phase Credit Facility the failure of the Initial Permanent Phase Credit Facility Provider to honor a draw made in accordance with the terms of the Initial Permanent Phase Credit Facility (which draw complies with, and conforms to, the terms and conditions of the Initial Permanent Phase Credit Facility).

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## ACTIVITIES OF THE CORPORATION

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

**I. BOND PROGRAMS.** The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. The multi-family residential developments financed under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution, adopted by its Members on July 27, 1993, as amended from time to time (the "General Resolution") are described below in "Section B – Housing Revenue Bond Program." As of July 31, 2008, the Corporation had bonds outstanding in the aggregate principal amount of approximately \$6,629,077,077. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution. None of the bonds under the bond programs described in "Section A – Multi-Family Program," "Section C – Liberty Bond Program," and "Section D – Section 223(F) Refinancing Program" provide security under the General Resolution, and none of the Bonds under these programs is secured by the General Resolution.

**A. *Multi-Family Program.*** The Corporation established its Multi-Family Program to develop privately-owned multi-family rental housing, all or a portion of which is reserved for low income tenants. The following describes the Corporation's activities under its Multi-Family Program.

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

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

(3) **Residential Housing; Credit Enhanced:** The Corporation has issued bonds to provide financing for residential facilities for hospital staff and for college students, faculty and staff which bonds are secured by bond insurance or letters of credit issued by investment-grade rated institutions.

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

(5) **Rental Project; REMIC-Insured Mortgage Loan:** The Corporation has issued tax-exempt bonds to finance a mortgage loan for a residential facility, which mortgage loan is insured by the New York City Residential Mortgage Insurance Corporation ("REMIC"), which is a subsidiary of the Corporation.

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

(7) Cooperative Housing; Letter of Credit Enhanced: The Corporation has issued taxable obligations in order to fund underlying mortgage loans to cooperative housing developments, which bonds are secured by letters of credit issued by investment-grade rated commercial lending institutions.

**B.** Military Housing Revenue Bond Program. Under this program, the Corporation has issued taxable obligations in order to fund a portion of the costs of the design, demolition, renovation, construction and operation of housing units in residential family housing areas located at Fort Hamilton.

**C.** Housing Revenue Bond Program. Under its Housing Revenue Bond Program, the Corporation may issue bonds payable solely from and secured by the assets held under the General Resolution which include a pool of mortgage loans, some of which are construction loans (which pool contains FHA-insured mortgage loans, REMIC-insured mortgage loans, SONYMA-insured mortgage loans, GNMA mortgage-backed securities, other mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments. As of July 31, 2008, one hundred (100) series of bonds have been issued under the Housing Revenue Bond Program.

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

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

**F.** Capital Fund Revenue Bond Program. Under this program, the Corporation has issued tax-exempt obligations in order to assist the New York City Housing Authority with the execution of a multi-year construction initiative that will address critical capital improvement needs of their aging housing portfolio.

The following table summarizes bonds outstanding under these bond programs as of July 31, 2008:

	<u>No. of Units</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Year of Issue</u>
<b><u>MULTI-FAMILY PROGRAM</u></b>				
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Related-Carnegie Park	461	\$66,800,000	\$66,800,000	1997
Related-Monterey	522	\$104,600,000	\$104,600,000	1997
Related-Tribeca Tower	440	\$55,000,000	\$55,000,000	1997
One Columbus Place Development	729	\$150,000,000	\$142,300,000	1998

100 Jane Street Development	148	\$17,875,000	\$16,450,000	1998
Brittany Development	272	\$57,000,000	\$57,000,000	1999
West 43 <sup>rd</sup> Street Development	375	\$55,820,000	\$51,900,000	1999
Related-West 89 <sup>th</sup> Street Development	265	\$53,000,000	\$53,000,000	2000
Queenswood Apartments	296	\$10,800,000	\$10,800,000	2001
Related-Lyric Development	285	\$91,000,000	\$89,000,000	2001
James Tower Development	201	\$22,200,000	\$21,070,000	2002
The Foundry	222	\$60,400,000	\$55,900,000	2002
Related Sierra Development	212	\$56,000,000	\$56,000,000	2003
West End Towers	1,000	\$135,000,000	\$135,000,000	2004
Related Westport Development	371	\$124,000,000	\$123,800,000	2004
Atlantic Court Apartments	321	\$104,500,000	\$103,100,000	2005
Progress of Peoples Developments	1,008	\$83,400,000	\$81,890,000	2005
Royal Charter Properties East, Inc. Project	615	\$98,775,000	\$94,650,000	2005
The Nicole	149	\$65,000,000	\$64,200,000	2005
Rivereast Apartments	196	\$56,800,000	\$56,500,000	2006
Seaview Towers	462	\$32,000,000	\$30,905,000	2006
155 West 21 <sup>st</sup> Street Development	110	\$52,700,000	\$52,600,000	2007
Ocean Gate Development	542	\$48,500,000	\$47,895,000	2007
West 61 <sup>st</sup> Street Apartments	211	\$68,000,000	\$67,585,000	2007
Linden Plaza	1527	\$73,900,000	\$73,900,000	2008
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced</i>				
Columbus Apartments Project	166	\$23,570,000	\$21,870,000	1995
West 48 <sup>th</sup> Street Development	109	\$22,500,000	\$20,000,000	2001
First Avenue Development	231	\$44,000,000	\$44,000,000	2002
Renaissance Court	158	\$35,200,000	\$35,200,000	2004
89 Murray Street Development	232	\$49,800,000	\$49,800,000	2005
Linden Boulevard Apartments	300	\$14,000,000	\$14,000,000	2006
<i>Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Related-Upper East	262	\$70,000,000	\$70,000,000	2003
Aldus Street Apartments	164	\$14,200,000	\$8,100,000	2004
Brookhaven Apartments	95	\$9,100,000	\$8,900,000	2004
Courtlandt Avenue Apartments	167	\$15,000,000	\$7,905,000	2004
East 165 <sup>th</sup> Street Development	136	\$13,800,000	\$7,665,000	2004
Hoe Avenue Apartments	136	\$11,900,000	\$6,660,000	2004
Louis Nine Boulevard Apartments	95	\$9,500,000	\$7,300,000	2004

Manhattan Court Development	123	\$17,500,000	\$17,500,000	2004
Marseilles Apartments	135	\$13,625,000	\$13,025,000	2004
Nagle Courtyard Apartments	100	\$9,000,000	\$4,200,000	2004
Odgen Avenue Apartments	130	\$10,500,000	\$5,000,000	2004
Parkview Apartments	110	\$12,605,000	\$5,935,000	2004
Peter Cintron Apartments	165	\$14,400,000	\$7,840,000	2004
Thessalonica Court Apartments	191	\$19,500,000	\$19,100,000	2004
15 East Clarke Place Apartments	102	\$11,600,000	\$11,600,000	2005
33 West Tremont Avenue Apartments	84	\$8,450,000	\$3,490,000	2005
270 East Burnside Avenue Apartments	114	\$13,000,000	\$13,000,000	2005
1090 Franklin Avenue Apartments	60	\$6,200,000	\$2,320,000	2005
1904 Vyse Avenue Apartments	96	\$9,650,000	\$4,335,000	2005
2007 La Fontaine Avenue Apartments	88	\$8,500,000	\$3,825,000	2005
Grace Towers Apartments	168	\$11,300,000	\$11,200,000	2005
Highbridge Apartments	296	\$32,500,000	\$32,500,000	2005
La Casa del Sol	114	\$12,800,000	\$10,800,000	2005
Morris Avenue Apartments	210	\$22,700,000	\$22,700,000	2005
Ogden Avenue Apartments II	59	\$5,300,000	\$2,500,000	2005
Parkview II Apartments	88	\$10,900,000	\$10,900,000	2005
The Schermerhorn Development	217	\$30,000,000	\$30,000,000	2005
Urban Horizons II Development	128	\$19,600,000	\$19,600,000	2005
White Plains Courtyard Apartments	100	\$9,900,000	\$4,900,000	2005
500 East 165 <sup>th</sup> Street Apartments	128	\$17,810,000	\$17,810,000	2006
1405 Fifth Avenue Apartments	80	\$14,190,000	\$14,190,000	2006
Bathgate Avenue Apartments	89	\$12,500,000	\$12,500,000	2006
Beacon Mews Development	125	\$23,500,000	\$23,500,000	2006
Granite Terrace Apartments	77	\$9,300,000	\$9,300,000	2006
Granville Payne Apartments	103	\$12,250,000	\$12,250,000	2006
Intervale Gardens Apartments	66	\$8,100,000	\$8,100,000	2006
Markham Gardens Apartments	240	\$25,000,000	\$25,000,000	2006
Pitt Street Residence	263	\$31,000,000	\$31,000,000	2006
Reverend Ruben Diaz Gardens Apartments	111	\$13,300,000	\$13,300,000	2006
Spring Creek Apartments I and II	582	\$24,000,000	\$24,000,000	2006
Target V Apartments	83	\$7,200,000	\$7,200,000	2006
Villa Avenue Apartments	111	\$13,700,000	\$13,700,000	2006
550 East 170 <sup>th</sup> Street Apartments	98	\$14,300,000	\$14,300,000	2007
Boricua Village Apartments	85	\$28,300,000	\$28,300,000	2007
Cook Street Apartments	152	\$26,600,000	\$26,600,000	2007



Queens Family Courthouse Apartments	277	\$120,000,000	\$120,000,000	2007
Susan's Court	125	\$24,000,000	\$24,000,000	2007
The Dorado Apartments	58	\$8,750,000	\$8,750,000	2007
The Plaza	383	\$30,000,000	\$30,000,000	2007
Las Casas Development	227	\$36,880,000	\$36,880,000	2008
<i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i>				
Chelsea Centro	356	\$86,900,000	\$78,500,000	2002
<i>Residential Revenue Bonds – Letter of Credit Enhanced</i>				
Montefiore Medical Center Project	116	\$8,400,000	\$7,600,000	1993
The Animal Medical Center	42	\$10,140,000	\$10,140,000	2003
Queens College Residences	144	\$69,865,000	\$69,865,000	2008
<i>Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan</i>				
Maple Court Cooperative	134	\$12,330,000	\$10,240,000	1994
Maple Plaza Cooperative	154	\$16,750,000	\$14,585,000	1996
<i>Multi-Family Mortgage Revenue Bonds – Rental Project; REMIC-Insured Mortgage Loan</i>				
Barclay Avenue Development	66	\$5,620,000	\$5,020,000	1996
<i>Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced</i>				
55 Pierrepont Development	189	\$6,100,000	\$4,600,000	2000
<i>Mortgage Revenue Bonds – Cooperative Housing Letter of Credit Enhanced</i>				
Prospect Macy	63	\$8,565,000	\$8,565,000	2008
East Harlem South	117	\$26,700,000	\$26,700,000	2008
<b><u>MILITARY HOUSING REVENUE BOND PROGRAM</u></b>				
Fort Hamilton Housing	228	\$47,545,000	\$47,420,000	2004
<b><u>HOUSING REVENUE BOND PROGRAM</u></b>				
<i>Multi-Family Housing Revenue Bonds<sup>1</sup></i>	80,682	\$3,179,785,000	\$2,211,350,000	1993-2008
<i>Multi-Family Secured Mortgage Revenue Bonds</i>	313	\$10,690,000	\$10,590,000	2005
<b><u>LIBERTY BOND PROGRAM</u></b>				
<i>Multi-Family Mortgage Revenue Bonds</i>				
90 Washington Street <sup>2</sup>	398	\$74,800,000	\$74,800,000	2005
The Crest <sup>3</sup>	476	\$143,800,000	\$143,400,000	2005
2 Gold Street <sup>3</sup>	650	\$217,000,000	\$215,500,000	2006
20 Exchange Place <sup>3</sup>	366	\$210,000,000	\$210,000,000	2006
90 West Street <sup>2</sup>	410	\$112,000,000	\$112,000,000	2006
201 Pearl Street Development <sup>2</sup>	189	\$90,000,000	\$90,000,000	2006
Beekman Tower	904	\$203,900,000	\$203,900,000	2008

**SECTION 223(f) REFINANCING PROGRAM**

<i>Multifamily Housing Limited Obligations Bonds</i>	1,266	\$79,998, 100	\$11,145,827	1977
<i>FHA-Insured Mortgage Loans</i>	3,182	\$299,886,700	\$36,506,250	1978

**CAPITAL FUND REVENUE BOND PROGRAM**

<i>New York City Housing Authority Program</i>	N/A	\$281,610,000	\$256,455,000	2005
<b>TOTAL</b>	<b><u>109,977</u></b>	<b><u>\$8,088,234,800</u></b>	<b><u>\$6,629,077,077</u></b>	

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

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

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

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

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

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

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

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1 Aggregate information for all one hundred (100) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1993 through 2008 as described in Section B above.  
2 This project was also financed under the “Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced” Program as described in Section A above.  
3 This project was also financed under the “Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced” Program as described in Section A above.

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

**IV. LOAN SERVICING.** The Corporation services the majority of its own loans and also services loans for others. Such loan servicing activities, which are described below, relate to over 1,396 mortgage loans with an approximate aggregate face amount of \$10.7 billion.

**A.** *Portfolio Servicing.* The Corporation acts as loan servicer in connection with the permanent mortgage loans made to approximately 613 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate face amount of \$5.9 billion.

**B.** *HPD Loan Servicing.* The Corporation acts as loan servicer in connection with certain construction and permanent housing loan programs of HPD pursuant to several agreements with HPD. As of July 31, 2008, the Corporation was servicing construction and permanent loans made to approximately 575 developments in the approximate aggregate face amount of \$2.0 billion.

**C.** *Loan Servicing Monitoring.* In addition to the Corporation’s loan servicing activities, the Corporation monitors the loan servicing activities of other servicers who service approximately 208 mortgage loans made under the Corporation’s various bond, mortgage loan and other loan programs in the approximate aggregate face amount of \$2.8 billion.

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

Upon delivery of the 2008 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Corporation, proposes to issue its approving opinion in substantially the following form:

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$11,000,000 Multi-Family Mortgage Revenue Bonds (Hewitt House Apartments), 2008 Series A (the “2008 Bonds”) of the New York City Housing Development Corporation (the “Corporation”), a corporate governmental agency, constituting a public benefit corporation created and existing under and pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of New York), as amended (the “Act”).

The 2008 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Mortgage Revenue Bonds (Hewitt House Apartments) Bond Resolution of the Corporation, adopted October 31, 2008 (herein called the “Resolution”). The 2008 Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2008 Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolution.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2008 Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2008 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 or 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 and the other Mortgage Documents and the Assignment.

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

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the Mortgage Loan, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 2008 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 2008 Bonds have been duly authorized, sold and issued by the Corporation in accordance with the Resolution and the laws of the State of New York (the “State”), including the Act.

4. The 2008 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 2008 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 2008 Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2008 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged for the payment thereof.

8. Under existing statutes and court decisions, (i) interest on the 2008 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2008 Bond for any period during which such 2008 Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2008 Bonds or a “related” person, and (ii) interest on the 2008 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the Mortgagor (as defined in the Resolution) and others, in connection with the 2008 Bonds, and we have assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2008 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2008 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the 2008 Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update our opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2008 Bonds or the exemption from personal income taxes of interest on the 2008 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2008 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 2008 Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

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