

NEW ISSUE — BOOK-ENTRY ONLY

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 2009 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 2009 Bond for any period during which such 2009 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 2009 Bonds or a "related person," and (ii) interest on the 2009 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 2009 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.

\$25,500,000

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Rental Housing Revenue Bonds
(Lexington Courts), 2009 Series A

Dated: Date of Delivery

Price: 100%

CUSIP: 64970HDV3[†]

Due: December 1, 2039

Interest on the Multi-Family Rental Housing Revenue Bonds (Lexington Courts), 2009 Series A (the "2009 Bonds") of the New York City Housing Development Corporation (the "Corporation") is payable on the first Business Day of each month, commencing January 2010. The 2009 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 2009 Bonds. Thereafter, the 2009 Bonds will initially bear interest at the Weekly Rate, as determined from time to time by the Remarketing Agent. The 2009 Bonds will be issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. See "DESCRIPTION OF THE 2009 Bonds—General."

The 2009 Bonds are subject to conversion to alternate methods of determining the interest rate thereon and to conversion to an interest rate fixed to maturity at the times and upon the terms and conditions described herein. During the period that the 2009 Bonds bear interest at the Weekly Rate, any 2009 Bond shall be purchased upon demand by the owner thereof, at a purchase price of par plus accrued and unpaid interest thereon, on any Business Day, upon at least seven (7) days' notice and delivery of a tender notice with respect to such 2009 Bond to Deutsche Bank Trust Company Americas, located in New York, New York, as Tender Agent as described herein.

This Official Statement in general describes the 2009 Bonds only while the 2009 Bonds bear interest at a Weekly Rate.

The 2009 Bonds are subject to optional and mandatory redemption, and mandatory tender for purchase at the times and in the events set forth in the Resolution and described herein.

The 2009 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 2009 Bonds will be payable by Deutsche Bank Trust Company Americas, located in New York, New York, as trustee for the 2009 Bonds, to Cede & Co., as nominee of DTC, which will, in turn, remit such principal and interest to DTC Direct Participants for subsequent disbursement to the Beneficial Owners. Purchasers of the 2009 Bonds will not receive physical delivery of bond certificates. The 2009 Bonds will not be transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein. See "BOOK-ENTRY ONLY SYSTEM."

The 2009 Bonds are being issued to finance a mortgage loan to East Harlem Lexington Partners, L.P., a New York limited partnership (the "Mortgagor"), for the purposes of paying, together with other available moneys of the Mortgagor, a portion of the costs of acquiring and rehabilitating a certain multi-family rental housing development located in Manhattan, New York, and certain other costs related thereto.

Payment of principal of and interest on the 2009 Bonds will be secured, to the extent described herein, by certain Revenues and assets pledged under the Resolution pursuant to which the 2009 Bonds are being issued, all as described herein. Payments under the Mortgage Note will be secured, to the extent described herein, by a Mortgage on the Project and by the direct pay obligations of the Federal Home Loan Mortgage Corporation ("Freddie Mac" or the "Initial Credit Facility Provider") under a credit enhancement agreement (the "Credit Enhancement Agreement" or the "Initial Credit Facility"), effective as of the date of issuance of the 2009 Bonds and between the Trustee and Freddie Mac. The Purchase Price of the 2009 Bonds is payable from funds advanced under the Credit Enhancement Agreement.

FREDDIE MAC

The Credit Enhancement Agreement will terminate on December 6, 2039, unless earlier terminated. Freddie Mac's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Agreement are irrevocable.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE 2009 BONDS ARE SOLELY AS PROVIDED IN THE INITIAL CREDIT FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE INITIAL CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED AND EXISTING UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2009 BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE INITIAL CREDIT FACILITY, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE 2009 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

The 2009 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 2009 Bonds are not a debt of the State of New York or The City of New York and neither the State of New York nor the City of New York shall be liable thereon, nor shall the 2009 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 2009 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 Freddie Mac by its Office of General Counsel and by its Special Counsel, Katten Muchin Rosenman LLP. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Cannon Heyman & Weiss, LLP. Certain legal matters will be passed upon for the Underwriter by its Counsel, Nixon Peabody LLP, New York, New York. It is expected that the 2009 Bonds will be available for delivery in New York, New York on or about December 17, 2009.

Merrill Lynch & Co.

Dated: December 14, 2009

[†] See footnote on the inside cover page.

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 2009 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 Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriter for the 2009 Bonds (the "Underwriter") to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

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

Freddie Mac has not provided or approved any information in this Official Statement except with respect to the description under the heading "FREDDIE MAC," takes no responsibility for any other information contained in this Official Statement, and makes no representation as to the contents of this Official Statement. Without limiting the foregoing, Freddie Mac makes no representation as to the suitability of the 2009 Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Freddie Mac's role with respect to the 2009 Bonds is limited to delivering the Initial Credit Facility described herein to the Trustee.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2009 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 2009 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE 2009 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

† Copyright 2003, American Bankers Association. CUSIP data herein are provided by S&P's, CUSIP Service Bureau. The CUSIP numbers listed are being provided solely for the convenience of Bondholders only at the time of issuance of the 2009 Bonds, and the Corporation and the Underwriter do not make any representation with respect to such numbers nor do they undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2009 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such maturity of the 2009 Bonds.

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INTRODUCTION | 1 |
| THE CORPORATION | 4 |
| THE MORTGAGE LOAN AND OTHER FINANCING | 8 |
| THE PROJECT AND THE MORTGAGOR..... | 11 |
| ESTIMATED SOURCES AND USES OF FUNDS | 13 |
| FREDDIE MAC..... | 13 |
| DESCRIPTION OF THE 2009 BONDS | 14 |
| SECURITY FOR THE BONDS | 28 |
| AGREEMENT OF THE STATE..... | 32 |
| TAX MATTERS..... | 33 |
| NO LITIGATION..... | 35 |
| CERTAIN LEGAL MATTERS..... | 36 |
| LEGALITY OF 2009 BONDS FOR INVESTMENT AND DEPOSIT | 36 |
| UNDERWRITING | 36 |
| RATINGS | 36 |
| FURTHER INFORMATION | 36 |
| MISCELLANEOUS | 37 |
| APPENDIX A - DEFINITIONS OF CERTAIN TERMS | A-1 |
| APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION | B-1 |
| APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT | C-1 |
| APPENDIX D - ACTIVITIES OF THE CORPORATION | D-1 |
| APPENDIX E - DESCRIPTION OF THE SUBSIDY PROGRAMS | E-1 |
| APPENDIX F - PROPOSED FORM OF OPINION OF BOND COUNSEL TO THE CORPORATION | F-1 |

[This page intentionally left blank]

\$25,500,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Rental Housing Revenue Bonds
(Lexington Courts), 2009 Series A

This Official Statement (including the cover page, the inside cover page and the appendices) provides certain information concerning the New York City Housing Development Corporation (the “Corporation”) in connection with the sale of \$25,500,000 principal amount of Multi-Family Rental Housing Revenue Bonds (Lexington Courts), 2009 Series A (the “2009 Bonds”).

The 2009 Bonds are to be issued in accordance with the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 44-b of the Consolidated Laws of the State of New York, as amended (the “Act”), and pursuant to a resolution entitled “Multi-Family Rental Housing Revenue Bonds (Lexington Courts) Bond Resolution” adopted by the Members of the Corporation on December 3, 2009, as amended and supplemented from time to time (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 2009 Bonds, are herein referred to as the “Bonds.” Deutsche Bank Trust Company Americas, located in New York, New York, will act as trustee for the 2009 Bonds (with its successors, the “Trustee”). Certain defined terms used herein are set forth in Appendix A hereto.

INTRODUCTION

The Corporation 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, in the State of New York within the financial reach of families and persons of low income, which includes families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, through the provision of low interest mortgage loans.

The 2009 Bonds are being issued to finance a certain mortgage loan (the “Mortgage Loan”), for the purpose of paying, together with other available moneys of the Mortgagor, a portion of the costs of acquiring and rehabilitating a certain existing multi-family rental housing development located in the Borough of Manhattan, in the State of New York (the “Project”), and certain other costs related thereto. See “THE PROJECT AND THE MORTGAGOR” and “ESTIMATED SOURCES AND USES OF FUNDS.” Simultaneously with the issuance of the 2009 Bonds, the Corporation will be making a separate loan to the Mortgagor (the “Subordinate Loan”). The Subordinate Loan will be secured by a third priority mortgage lien on the Project (the “Subordinate Mortgage”). No obligations will be issued by the Corporation to provide proceeds for the Subordinate Loan and the Corporation has not pledged the scheduled or other payments required by the Subordinate Loan or the Subordinate Mortgage for the benefit of the owners of the 2009 Bonds. See “THE MORTGAGE LOAN AND OTHER FINANCING.”

Concurrently with, and as a condition precedent to the issuance of the 2009 Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable, direct-pay credit enhancement agreement, effective as of the date of issuance of the 2009 Bonds (the “Credit Enhancement Agreement” or the “Initial Credit Facility”), executed and delivered by the Federal Home Loan Mortgage Corporation (“Freddie Mac”). Under the Credit Enhancement Agreement, Freddie Mac will advance funds to the Trustee with respect to the payment of: (i) the then-outstanding principal amount of the Mortgage Note when due by reason of acceleration, prepayment or maturity and (ii) up to 35 days’ interest thereon (computed at the Maximum Rate), which amounts will be applied by the Trustee to pay principal of and

interest on the 2009 Bonds, and (iii) a portion of the Corporation's regularly scheduled fee with respect to the 2009 Bonds (the "Fee Component"), if such fee is not paid to the Corporation in a timely manner. Freddie Mac will also advance funds under the Credit Enhancement Agreement to the Trustee up to the principal amount of the 2009 Bonds and interest thereon (computed at the Maximum Rate) for up to 35 days in order to pay the Purchase Price of 2009 Bonds tendered and not remarketed. The Credit Enhancement Agreement will expire on December 6, 2039, unless terminated earlier in accordance with its terms, as described herein. Under certain circumstances, the Corporation or the Mortgagor may replace the Credit Enhancement Agreement with an Alternate Security. See "SECURITY FOR THE BONDS" herein.

The Credit Enhancement Agreement constitutes a "Credit Facility" and the "Initial Credit Facility" with respect to the 2009 Bonds under the Resolution and Freddie Mac constitutes a "Credit Facility Provider" and the "Initial Credit Facility Provider" under the Resolution.

The Mortgage Loan is to be evidenced by a mortgage note in an initial amount corresponding to the aggregate amount of 2009 Bond proceeds, as the same may be amended, modified or supplemented (the "Mortgage Note"). The Mortgage Loan shall be secured by a first priority mortgage on the Project (as the same may be amended, modified or supplemented, the "Mortgage"). The Mortgage Note and the Mortgage are to be assigned by the Corporation to the Trustee and Freddie Mac, as their interests may appear, subject to the reservation by the Corporation of certain rights. The Trustee will assign the mortgage rights assigned to it to Freddie Mac but will retain the right to receive payments relating to the Principal Reserve Fund deposits subject to Freddie Mac's right to direct the Trustee to assign its entire interest in the Mortgage Loan to Freddie Mac. See "SECURITY FOR THE BONDS."

The 2009 Bonds are special revenue 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 2009 Bonds are payable from advances under the Credit Facility. See "SECURITY FOR THE BONDS."

The Mortgagor will enter into a Reimbursement and Security Agreement (the "Credit Agreement" or the "Reimbursement Agreement") with Freddie Mac pursuant to which the Mortgagor will agree to reimburse Freddie Mac for any payments made by Freddie Mac under the Credit Facility. Upon an event of default under the Reimbursement Agreement, Freddie Mac, at its option, may direct the mandatory tender or mandatory redemption of all or a portion of the 2009 Bonds. See "DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination" and "– Redemption of 2009 Bonds - Mandatory – Mandatory Redemption Upon a Declaration of Acceleration – Following an Event of Termination." See also "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT." The Mortgagor's reimbursement obligations to Freddie Mac will be secured by a second priority mortgage lien on the Project (the "Reimbursement Mortgage"), which shall be subordinate to the Mortgage.

The 2009 Bonds are additionally subject to mandatory and optional redemption at the times, at the prices, upon the conditions and under the circumstances described under the captions "DESCRIPTION OF THE 2009 Bonds – Redemption of the 2009 Bonds - Mandatory" and "– Redemption of the 2009 Bonds – Optional."

During any period of time in which the 2009 Bonds bear interest at the Weekly Rate (the "Weekly Rate Period"), the 2009 Bonds are subject to purchase at a price equal to one hundred percent (100%) of the principal amount of such 2009 Bonds plus accrued and unpaid interest thereon to the date

of purchase (the "Purchase Price"). Such purchase shall be made upon demand of the owner thereof on any Business Day upon at least seven days' prior notice delivered to the Trustee prior to 4:00 p.m., New York City time. The 2009 Bonds are additionally subject to mandatory tender for purchase as set forth in the Resolution and described herein. See "DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds." Payment of the Purchase Price of tendered 2009 Bonds that are not remarketed shall be paid with amounts provided pursuant to the Credit Enhancement Agreement.

As more fully described herein, the loss of exclusion of interest on the 2009 Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory redemption or a mandatory tender of the 2009 Bonds.

The 2009 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 2009 Bonds. Thereafter, the 2009 Bonds will initially bear interest at the Weekly Rate, to be determined weekly and as otherwise described herein by Merrill Lynch, Pierce, Fenner & Smith Incorporated as remarketing agent for the 2009 Bonds (in such capacity, the "Remarketing Agent"). The interest rate established with respect to the 2009 Bonds is subject to conversion to alternate methods of determining interest rates thereon and to conversion to an interest rate fixed to maturity, subject to the prior written consent of Freddie Mac, and otherwise at the times and upon the terms and conditions described herein. The 2009 Bonds are subject to a maximum interest rate of twelve percent (12%) per annum, subject to adjustment in accordance with the Resolution. See "DESCRIPTION OF THE 2009 Bonds – General" and " – Interest Rate Periods."

This Official Statement in general describes the 2009 Bonds only while the 2009 Bonds bear interest at a Weekly Rate.

The 2009 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 2009 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

FREDDIE MAC'S OBLIGATIONS WITH RESPECT TO THE 2009 BONDS ARE SOLELY AS PROVIDED IN THE INITIAL CREDIT FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE INITIAL CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED AND EXISTING UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2009 BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE INITIAL CREDIT FACILITY, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE 2009 BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE 2009 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

Descriptions of the 2009 Bonds and sources of payment, the Corporation, Freddie Mac, the Mortgagor, the Project, the Mortgage Loan, the Credit Facility, the Resolution, the Reimbursement Agreement and certain related agreements are included in this Official Statement. All summaries or descriptions herein of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries herein of the 2009 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. Other than as so covenanted in the Resolution, the Corporation has not committed to provide any information on an ongoing basis to any repository or other entity or person. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

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 2009 Bonds, notes, or other obligations are outstanding.

The sale of the 2009 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 2009 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 D — ACTIVITIES OF THE CORPORATION."

Organization and Membership

The Corporation, pursuant to the Act, consists of the Commissioner of 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

RAFAEL CESTERO, Chairperson and Member ex-officio. Mr. Cestero was appointed Commissioner of HPD by Mayor Michael R. Bloomberg, effective March 17, 2009. Prior to becoming Commissioner, Mr. Cestero was Senior Vice President and Chief Program Officer of Enterprise Community Partners where he was responsible for Enterprise's national programs related to housing production, income targeting and quality of life measures. Mr. Cestero also worked at Enterprise for over 10 years after completing his graduate degree in Urban Planning at the University of Illinois at Urbana-Champaign. Before re-joining Enterprise, Commissioner Cestero was HPD Deputy Commissioner for Development from 2004 to 2007, where he developed portions of the City's \$7.5 billion New Housing Marketplace Plan. As Deputy Commissioner, he also managed the establishment of the award-winning NYC Acquisition Loan Fund. Commissioner Cestero received his Bachelor of Sciences degree from Cornell University.

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.

DAVID M. FRANKEL, Member ex-officio. Mr. Frankel was appointed Commissioner of New York City's Department of Finance by Mayor Michael R. Bloomberg, on July 29, 2009, effective September 8, 2009. Prior to becoming Commissioner, Mr. Frankel held several positions as Managing Director at Morgan Stanley, overseeing fixed income, regulatory matters, tax operations and a staff of approximately 750 people. From 1992 to 2004, Mr. Frankel was the head of global operations for the AIG Trading Group. Commissioner Frankel previously served as Deputy Commissioner for Intergovernmental Relations at HPD and Special Counsel to the Commissioner of the New York City Department of Corrections. From 1978 to 1988, Mr. Frankel practiced as an attorney at two New York firms, where he specialized in litigation. Commissioner Frankel received a B.A. degree from Tufts University and his J.D. from Columbia 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 Bachelor of Arts 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.

DENISE SCOTT, Member, term expires December 31, 2012. Ms. Scott has been Managing Director of the Local Initiatives Support Corporation's New York City program (LISC NYC) since 2001. During her tenure, LISC NYC has invested in the development of over 10,000 units of affordable housing. Ms. Scott served as a White House appointee to the United States Department of Housing and Urban Development (HUD) from 1998 to January 2001 responsible for daily operations of HUD's six New York/New Jersey regional offices. She was the Managing Director/Coordinator responsible for launching the Upper Manhattan Empowerment Zone Development Corporation. Ms. Scott served as the Assistant Vice President of the New York City Urban Coalition after serving as Deputy Director of the New York City Mayor's Office of Housing Coordination from 1990-1992. She held several positions at HPD ultimately serving as the Director of its Harlem preservation office. Ms. Scott serves on the U.S. Department of Treasury's Office of Thrift Supervision Minority Depository Institutions Advisory Committee and also serves on several boards including the National Equity Fund, Supportive Housing Network of New York, Citizens Housing and Planning Council, Neighborhood Restore / Restored Homes and the New York Housing Conference. Ms. Scott has a MS in Urban Planning from Columbia University and has taught at its Graduate School of Architecture, Planning and Preservation as a Visiting Assistant Professor.

Principal Officers

RAFAEL CESTERO, 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. FROEHLICH, 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.

ELLEN K. DUFFY, Senior Vice President for Debt Issuance and Finance. Ms. Duffy was appointed Senior Vice President of the Corporation on September 15, 2009 effective September 21, 2009.

Prior to joining the Corporation, Ms. Duffy was a principal of the housing finance group at Bank of America Securities (“BAS”). At BAS, Ms. Duffy focused on quantitative structuring of transactions and cash flow analysis for state and local housing issuers. Ms. Duffy previously held positions in the housing areas of the public finance groups at CS First Boston, First Union Securities and Citicorp Investment Bank. Ms. Duffy holds a B.A. in Economics from Providence College.

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.

EILEEN M. O’REILLY, Senior Vice President. Ms. O’Reilly was appointed Senior Vice President for Loan Servicing of the Corporation on September 15, 2009. Prior to such appointment she acted as Chief Financial Officer of the Corporation since May 2, 2007. She 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.

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.

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 Corporation to issue the 2009 Bonds to provide moneys to finance the Mortgage Loan for the purposes of paying a portion of the costs of acquiring and rehabilitating the Project and certain other costs related thereto. As a condition to the initial issuance and delivery of the 2009 Bonds, Freddie Mac is to deliver the Initial Credit Facility to the Trustee. The Corporation and the Mortgagor will enter into a financing agreement (as the same may be amended or supplemented, the “Financing Agreement”), simultaneously with the issuance of the 2009 Bonds. The Mortgage Loan is to

be evidenced by the Mortgage Note executed by the Mortgagor in favor of the Corporation and secured by the Mortgage. The Mortgagor is required under the Mortgage Note to make payments sufficient to pay debt service on the Mortgage Loan. Pursuant to the terms of the Resolution, and the Assignment and Intercreditor Agreement, by and among the Corporation, the Trustee and the Initial Credit Facility Provider and acknowledged, accepted and agreed to by the Mortgagor and East Harlem Lexington Housing Development Fund Company, Inc. (“HDFC”) (the “Assignment”), the Corporation will assign and deliver to Freddie Mac and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Corporation, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents. Freddie Mac has the right under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Freddie Mac upon the occurrence of an “event of default” and in certain other events, pursuant to the Reimbursement Agreement. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT – Events of Default.”

The Project improvements and rehabilitation shall occur upon compliance by the Mortgagor with certain requirements contained in the Rehabilitation Escrow Agreement, dated as of December 17, 2009, by and among the Mortgagor, Freddie Mac, Wachovia Multifamily Capital, Inc. (the “Servicer”) and the Corporation (the “Rehabilitation Escrow Agreement”). Such requirements include the completion of rehabilitation of the Project which depends upon, among other things, the ability of the Mortgagor to obtain various approvals, some of which have not yet been obtained. Failure to complete the rehabilitation by December 31, 2010 (subject to extension by Freddie Mac at the request of the Mortgagor and the satisfaction of certain conditions) will constitute an event of default under the Reimbursement Agreement and Freddie Mac may thereupon direct the mandatory redemption or mandatory tender of all or a portion of the 2009 Bonds. See “DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination” and “– Redemption of 2009 Bonds - Mandatory – Mandatory Redemption Upon a Declaration of Acceleration – Following an Event of Termination” 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 all expenses of the Project, including without limitation, debt service on the Mortgage Loan and the Subordinate Loan, as defined below, operating expenses, servicing fees, fees due to 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 rehabilitation with respect to the Project, maintenance of a sufficient level of occupancy, the Project’s continued eligibility for mortgage interest reduction payments provided by the United States Department of Housing and Urban Development (“HUD”) pursuant to Section 236 of the National Housing Act of 1934, as amended (“Section 236”), continued funding by HUD of enhanced vouchers issued pursuant to Section 8 of the United States Housing Act of 1937, as amended (“Section 8”), full and timely receipt of subsidy payments, 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. Furthermore, the Mortgagor is required to rent a certain percentage of the units in the Project to persons or families of low income, and the amount of rent that may be charged for such units may 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.

In connection with the issuance of the 2009 Bonds, it is anticipated that the Mortgagor will obtain benefits for the Project under Section 236 from certain interest reduction payments pursuant to the Decoupling IRP Contract (as defined below) with HUD. See “THE PROJECT AND THE

MORTGAGOR – The Project” and “APPENDIX E — DESCRIPTION OF THE SUBSIDY PROGRAMS.” Once the Decoupling IRP Contract expires, it is not expected to be renewed. Since payments received under the Decoupling IRP Contract constitutes a primary source of revenues for the Project, a material negative adjustment by HUD during the term of the Decoupling IRP Contract of the amount of subsidies provided under the Decoupling IRP Contract would have a material adverse impact on the ability of the Project to generate revenues sufficient to pay the principal of and interest on the Mortgage Note. Failure of the Mortgagor to make payments when due under the Mortgage Loan or the Reimbursement Agreement constitutes an event of default under the Mortgage Loan and the Reimbursement Agreement and may, at the option of the Credit Facility Provider, result in a mandatory tender or redemption, in whole or in part of the 2009 Bonds. See “DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds—Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination” and “– Redemption of 2009 Bonds - Mandatory – Mandatory Redemption Upon a Declaration of Acceleration – Following an Event of Termination.” See also, “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.”

The Project receives a rental subsidy for 220 of the Project’s 229 residential rental units from two project-based Section 8 Housing Assistance Payments Contracts with HUD and administered by the New York State Division of Housing and Community Renewal which have expiration dates of December 31, 2009 and January 31, 2010 (the “HAP Contracts”) respectively. HUD has approved new project-based Section 8 contracts, each for a twenty year term at the approved rent levels subject to annual Congressional appropriations.

Simultaneously with the issuance of the 2009 Bonds, the Corporation will be making the Subordinate Loan. The Subordinate Loan will be secured by a third priority mortgage lien on the Project (the “Subordinate Mortgage”). Pursuant to a subordination agreement among the Corporation, the Trustee and Freddie Mac and consented to by the Mortgagor, at all times while any 2009 Bonds and/or any Credit Facility is outstanding, the lien of the Subordinate Mortgage on the Project will be subordinated to the pledge of the Resolution and to the liens of the Mortgage and the Reimbursement Mortgage. No obligations will be issued by the Corporation to provide proceeds for the Subordinate Loan and the Corporation has not pledged the scheduled or other payments required by the Subordinate Loan or the Subordinate Mortgage for the benefit of the owners of the 2009 Bonds.

The Subordinate Loan, which is anticipated to be in the amount of \$5,370,000, will mature on December 1, 2039.

Pursuant to the Reimbursement Agreement, a default by the Mortgagor under the Subordinate Loan constitutes a default under the Reimbursement Agreement and may, at the option of Freddie Mac, result in a mandatory tender or redemption, in whole or in part, of the 2009 Bonds. See “DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination” and “– Redemption of 2009 Bonds - Mandatory – Mandatory Redemption Following an Event of Termination.” See also “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.”

On or about the date of issuance of the 2009 Bonds, the Mortgagor expects to enter into a floating-to-fixed interest rate exchange agreement with a swap counterparty selected by the Mortgagor and approved by Freddie Mac (the “Swap Provider”) having an initial notional amount of \$25,500,000 and an effective date of December 17, 2009 (the “Swap”). In order to provide credit support for the Mortgagor’s payment obligations to the Swap Provider under the Swap, Freddie Mac, at the request of the Mortgagor has agreed to provide its Swap Credit Enhancement Agreement, to be executed and delivered

on the date of issuance of the 2009 Bonds. The Mortgagor's reimbursement obligations to Freddie Mac on account of advances made by Freddie Mac under the Swap Credit Enhancement Agreement are secured by the Reimbursement Mortgage.

Except under certain circumstances, as indicated in the Mortgage Note or the Reimbursement Agreement, 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 their respective assets, other than the Project and its rents, profits and proceeds.

THE PROJECT AND THE MORTGAGOR

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

The Lexington Courts Project

The 2009 Bonds are being issued to finance a Mortgage Loan to the Mortgagor for the purposes of financing a portion of the costs of the acquisition and rehabilitation of the Project, and paying certain other costs related thereto.

The Project is expected to consist of approximately 229 units (1 studio unit, 44 one-bedroom units, 119 two-bedroom units, 43 three-bedroom units and 22 four-bedroom units), plus five units expected to be occupied by the superintendents. In addition, there are eight commercial units. The Project is expected to consist of nine buildings comprised of two four-story buildings, two five-story buildings and five six-story buildings. Seven of these buildings have elevators. All 229 of the residential units (excluding the superintendents' units) are expected to be occupied by households whose gross income will not exceed 60% of the area median income for New York City, adjusted for family size (the "Low Income Units"). Two hundred twenty (220) of the units will benefit from project based HAP Contracts. Four (4) units will be "Section 236" units regulated by the Section 236 Use Agreement and five (5) units will be non-income units.

The Project was originally financed with a loan, secured by a mortgage (the "Section 236 Mortgage") made with assistance from HUD under Section 236. HUD makes interest reduction payments ("IRP Payments") on behalf of the existing owner pursuant to Section 236 which reduce the effective interest rate on the Section 236 Mortgage. The existing owners are Met-Paca I Associates, L.P. and Met-Paca II Associates, L.P.

In conjunction with the 2009 Bonds (a) ownership of the Project will be sold by the existing owner to the HDFC solely as nominee on behalf of the Mortgagor pursuant to a nominee agreement; (b) the Section 236 Mortgage debt will be paid in full, and the Section 236 Mortgage will be released; (c) the Mortgage Loan and the Subordinate Loan will be made to the Mortgagor; (d) HUD will enter into a new agreement for IRP Payments (a "Decoupling IRP Contract") under which the IRP Payments will be continued in accordance with the existing payment procedure for such IRP Payments and used to amortize a portion of the Mortgage Loan; and (e) existing tenants at the Project with incomes at or below eighty percent (80%) of median area income and who are otherwise eligible for enhanced vouchers authorized by Section 8 of the United States Housing Act of 1937, as amended, may be entitled to receive such vouchers.

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 and Regulatory Agreement.

The general contractor for the Project will be MDG Design and Construction, LLC (“MDG”), which will enter into a fixed price construction contract with the Mortgagor. The management agent for the Project will be Grenadier Realty Corp., which will enter into a management agreement with the Mortgagor. The architect for the Project will be RCGA, which has entered into an architect’s 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 and Subordinate Loan, operating expenses of the Project, Remarketing Agent fees, Trustee and Tender Agent fees, fees owed to the Corporation, bank fees or other similar fees associated with the Project. The ability of the Mortgagor to generate sufficient revenues will be affected by a variety of factors including, but not limited to, the maintenance of a sufficient level of occupancy, the 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 HUD to make payments under the Decoupling IRP Contract or the Section 8 enhanced vouchers may result in the inability of the Mortgagor to make payments under the Mortgage Loan. Failure of the Mortgagor to make payments under the Mortgage Loan will result in an event of default under the Credit Agreement and may, at the option of Freddie Mac, result in a mandatory tender or redemption in whole or in part of the 2009 Bonds. See “DESCRIPTION OF THE 2009 BONDS—Credit Facility Provider’s Right To Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination” and “Redemption of 2009 Bonds—Mandatory—Mandatory Redemption Upon a Declaration of Acceleration—Following an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.”

The Mortgagor

East Harlem Lexington Partners, 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 EHL Management, LLC, which will possess an approximate .01% ownership interest in the Mortgagor. The sole member of EHL Management, LLC is APD New York, LLC. The members of APD New York, LLC are Allied Pacific Development, LLC and Francine L. Kellman. The other members of the Mortgagor will be an investor limited partner, which will possess a 99.98% ownership interest in the Mortgagor and a special investor limited partner, which will possess a 0.01% ownership interest in the Mortgagor.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2009 Bonds will be used to fund the Mortgage Loan in the principal amount equal to the principal amount of the 2009 Bonds, which amount will be used to finance a portion of the cost of the acquisition and rehabilitation of the Project and to pay certain costs of issuance of the 2009 Bonds, including the Underwriter's fee. The remainder of the cost of the acquisition and rehabilitation of the Project and certain other costs related thereto will be derived from the Subordinate Loan, the proceeds of the sale of federal low income housing tax credits, and other available moneys of the Mortgagor.

FREDDIE MAC

The information presented under this caption "FREDDIE MAC" has been supplied by Freddie Mac. None of the Corporation, the Trustee, the Mortgagor or the Underwriter has independently verified such information, and none assumes responsibility for the accuracy of such information.

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

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

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHFO.gov> and <http://www.Treasury.gov>.

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other

information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing annual financial disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

As described below, Freddie Mac incorporates certain documents by reference in this Official Statement, which means that Freddie Mac is disclosing information to you by referring you to those documents rather than by providing you with separate copies. Freddie Mac incorporates by reference in this Official Statement its proxy statement, and all documents that Freddie Mac files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after July 18, 2008 and prior to the completion of the offering of the related Bonds, excluding any information that Freddie Mac may “furnish” to the SEC but that is not deemed to be “filed.” Freddie Mac also incorporates by reference its Registration Statement on Form 10, in the form declared effective by the SEC on July 18, 2008 (the “Registration Statement”). These documents are collectively referred to as the “Incorporated Documents” and are considered part of this Official Statement. You should read this Official Statement, in conjunction with the Incorporated Documents. Information that Freddie Mac incorporates by reference will automatically update information in this Official Statement. Therefore, you should rely only on the most current information provided or incorporated by reference in this Official Statement.

You may read and copy any document Freddie Mac files with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC’s web site at <http://www.sec.gov>.

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

FREDDIE MAC’S OBLIGATIONS WITH RESPECT TO THE 2009 BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT AGREEMENT. THE OBLIGATIONS OF FREDDIE MAC UNDER THE CREDIT ENHANCEMENT AGREEMENT WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2009 BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE CREDIT ENHANCEMENT AGREEMENT, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE 2009 BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE 2009 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

DESCRIPTION OF THE 2009 BONDS

This Official Statement in general describes the 2009 Bonds only while the 2009 Bonds bear interest at a Weekly Rate.

General

The 2009 Bonds are to be dated and will mature as set forth on the cover page of this Official Statement. The 2009 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”). See

“BOOK-ENTRY ONLY SYSTEM.” Deutsche Bank Trust Company Americas is the Trustee for the 2009 Bonds.

The 2009 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, upon redemption or otherwise. The 2009 Bonds are being issued as variable rate obligations which will bear interest from their date of issue to, but not including, the Thursday following such date of issue, at a rate per annum set forth in a certificate of the Corporation delivered on the date of issuance of the 2009 Bonds. Thereafter, the 2009 Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. At no time shall the interest rate on the 2009 Bonds exceed the maximum rate of twelve percent (12%) 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 2009 Bonds are subject to conversion to alternate methods of determining interest rates thereon and to conversion to an interest rate fixed to maturity at the times and upon the terms and conditions described herein. See “DESCRIPTION OF THE 2009 Bonds – Interest Rate Periods – Interest Rate Changes.”

The 2009 Bonds shall be issued solely in fully registered form, without coupons, issuable during a Weekly Rate Period in the denomination of \$100,000 or any whole multiple of \$5,000 in excess thereof.

Interest on the 2009 Bonds shall be payable on a monthly basis on the first Business Day of each month, commencing January 2010, on any Change Date and on the maturity date of the 2009 Bonds. Interest on the 2009 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 making any payment of principal or Redemption Price of or interest on any of the Bonds shall be a day other than a Business Day, then payment of such principal or Redemption Price of or interest on such Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for such payment, except that during any Weekly Rate Period, interest shall continue to accrue on any unpaid principal to such next succeeding Business Day.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as the securities depository for the 2009 Bonds. The 2009 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 2009 Bond certificate will be issued for each maturity of the 2009 Bonds, in the aggregate principal amount of the 2009 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 is the holding company for DTC, National Securities Clearing

Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2009 Bonds on DTC’s records. The ownership interest of each actual purchaser of the 2009 Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2009 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 2009 Bonds, except in the event that use of the book-entry system for such 2009 Bonds is discontinued.

To facilitate subsequent transfers, all 2009 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 2009 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 2009 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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 2009 Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in the 2009 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2009 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 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2009 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 Mortgagor, the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2009 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2009 Bonds by causing the Direct Participant to transfer the Participant's interest in such 2009 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the 2009 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2009 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2009 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the 2009 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, the 2009 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the 2009 Bond certificates will be printed and delivered to DTC.

The information herein concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriter believe to be reliable, but neither the Corporation nor the Underwriter take responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the Direct Participants or the Indirect Participants.

Each person for whom a Participant acquires an interest in the 2009 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 2009 Bonds.**

So long as Cede & Co. is the registered owner of the 2009 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2009 Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2009 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 2009 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 2009 Bonds if the Corporation determines that (i) DTC is unable to discharge its responsibilities with respect to the 2009 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, 2009 Bond certificates will be delivered as described in the Resolution.

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2009 Bond is held in book-entry form, such 2009 Bond need not be delivered in connection with any mandatory tender of 2009 Bonds described under "DESCRIPTION OF THE 2009 BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2009 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and, notwithstanding the description of mandatory tender of 2009 Bonds contained under "DESCRIPTION OF THE 2009 BONDS," transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

NONE OF 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 2009 BONDS UNDER THE RESOLUTIONS; (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 2009 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 2009 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2009 BONDS; OR (VI) ANY OTHER MATTER.

Interest Rate Periods

Weekly Rate Period

The 2009 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 2009 Bonds to the earlier of the first Interest Method Change Date or the final maturity or redemption in whole of the 2009 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 2009 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 will determine the Weekly Rate for the 2009 Bonds not later than 10:00 a.m., New York City time, on the Business Day preceding the Weekly Effective Rate Date for each Weekly Rate Term; provided, however, that the Weekly Rate from the date of initial issuance and delivery of the 2009 Bonds to but not including the Thursday following said date of issue will be the rate for the 2009 Bonds determined by the Corporation and delivered in writing to the Trustee on the date of such issuance and delivery. The Remarketing Agent will thereafter 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 2009 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 2009 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 2009 Bonds and that from and after the Weekly Effective Rate Date the 2009 Bonds will bear interest at the Weekly Rate for the duration of the applicable Weekly Rate Period. Such notice shall further specify the name, address and telephone number of the person or persons from whom information with respect to the Weekly Rate for each succeeding Weekly Rate Term may be obtained. Unless an Interest Method Change Date occurs, a new Weekly Rate Term shall automatically commence on the day after the termination of the current Weekly Rate Term.

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

Interest Rate Changes

No change in the method of determining the interest rate on the 2009 Bonds will be made unless the Trustee has received, (A) at least thirty (30) days prior to the Change Date, (1) a Certificate of an Authorized Officer of the Mortgagor specifying (i) the date which is to be the Interest Method Change Date, and (ii) the method of determining the interest rate which shall take effect on such date, (2) an opinion of Bond Counsel to the Corporation addressed to the Corporation, the Trustee, and the Credit Facility Provider to the effect that the proposed change in the method of determining the interest rate on the 2009 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2009 Bonds from gross income for Federal income tax purposes, and, (B) on or before the proposed Interest Method Change Date, a Certificate of an Authorized Officer of the Initial Credit Facility Provider, evidencing consent to such change by the Initial Credit Facility Provider if a Credit Facility is then in effect and, if necessary, an amendment to such Credit Facility conforming such Credit Facility to the requirements of the Resolution applicable to such instrument from and after the Interest Method Change Date, together with various opinions of counsels as set forth in the Resolution, or provision for the issuance of an Alternate Security meeting the requirements of the Resolution, in which case the Interest Method Change Date shall also be a Facility Change Date.

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

Purchase of the 2009 Bonds

Purchase of the 2009 Bonds on Demand of Owner

During the Weekly Rate Period, each owner of a 2009 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 (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at Merrill Lynch, Pierce, Fenner & Smith Incorporated, 4 World Financial Center, 11th Floor, New York, New York 10080 (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 2009 Bond in any denomination authorized by the Resolution; provided, however, that no portion of a 2009 Bond shall be purchased unless any remaining portion of such 2009 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 2009 Bonds to be purchased and the numbers of the 2009 Bonds to be purchased, and (B) the date on which such 2009 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 2009 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2009 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 2009 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 2009 Bonds not so delivered to the Tender Agent (“Undelivered 2009 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 2009 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF 2009 BONDS TO DELIVER ITS 2009 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 2009 BONDS, AND ANY UNDELIVERED 2009 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 2009 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2009 Bond to the Tender Agent but such 2009 Bond shall be deemed to have been delivered to the Tender Agent and remarketed and redelivered to such owner.

Mandatory Purchase of 2009 Bonds on Interest Method Change Date

The 2009 Bonds shall be subject to mandatory tender for purchase on any Interest Method Change Date at the Purchase Price; provided that no Interest Method Change Date with respect to the 2009 Bonds shall occur if any 2009 Bonds have not been remarketed as of the Interest Method Change Date. The Trustee shall deliver, or mail by first class mail, postage prepaid, to the Remarketing Agent and to the owner of each 2009 Bond, at its address shown on the registration books of the Corporation held by the Trustee, a notice not later than fifteen (15) days prior to the Interest Method Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Interest Method Change Date and reason therefor, that such owners of 2009 Bonds shall be deemed to have tendered their 2009 Bonds for purchase on the Interest Method Change Date and the Purchase Price for such 2009 Bonds.

Owners of 2009 Bonds shall be required to tender their 2009 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 2009 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 2009 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 AFFECTED 2009 BONDS TO DELIVER ITS AFFECTED 2009 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 2009 BONDS, AND ANY UNDELIVERED 2009 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Mandatory Purchase of 2009 Bonds Upon Replacement of Credit Facility

On any Facility Change Date, the 2009 Bonds are subject to mandatory tender for purchase at the Purchase Price; provided that no Facility Change Date with respect to the 2009 Bonds shall occur if any 2009 Bonds have not been remarketed as of the Facility Change Date. In connection with a purchase on a Facility Change Date, the Trustee shall deliver, or mail by first class mail, postage prepaid, a notice not later than fifteen (15) days prior to the Facility Change Date to the Remarketing Agent and to the owner of each 2009 Bond 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 2009 Bonds shall be deemed to have tendered their 2009 Bonds for purchase on the Facility Change Date and the Purchase Price for such 2009 Bonds.

Owners of 2009 Bonds shall be required to tender their 2009 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 2009 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 2009 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 AFFECTED 2009 BONDS TO DELIVER ITS AFFECTED 2009 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 2009 BONDS, AND ANY UNDELIVERED 2009 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 2009 Bonds Upon a Notice of Prepayment of the Mortgage Loan

Pursuant to the Resolution, upon notice to the Trustee from the Corporation of the Mortgagor's election to prepay, in full, the Mortgage Loan (said notice from the Corporation to the Trustee being defined in the Resolution as a "Notice of Prepayment of the Mortgage Loan"), the Corporation shall specify a Change Date on which the 2009 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.

Following receipt by the Trustee of such Notice of Prepayment of the Mortgage Loan, the Trustee shall deliver, or mail by first class mail, postage prepaid, to the Remarketing Agent and to the owner of each 2009 Bond to which such notice relates, 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 shall set forth, in substance, the Change Date and reason therefor, that all owners of 2009 Bonds shall be deemed to have tendered their 2009 Bonds for purchase on the Change Date and the Purchase Price for the 2009 Bonds. Owners of 2009 Bonds to which a mandatory tender for purchase relates shall be required to tender their 2009 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 2009 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 2009 Bonds shall be deemed to have been purchased at the Purchase Price on the Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 2009 BONDS TO DELIVER ITS AFFECTED 2009 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 2009 BONDS, AND ANY SUCH UNDELIVERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Upon such prepayment of the Mortgage Loan and payment to the Credit Issuer (other than from the proceeds of the remarketing of the 2009 Bonds so purchased or from moneys on deposit in the Principal Reserve Fund) of all amounts due under the Credit Agreement, all 2009 Bonds tendered or deemed tendered as a result of such prepayment shall be deemed paid and shall be delivered to the Trustee for cancellation.

Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination

Pursuant to the Resolution, for so long as any 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 Reimbursement Agreement (defined in the Resolution as an "Event of Termination"), including, but not limited to, a default under the Mortgage Loan or a failure to reimburse the Credit Facility Provider under the Credit Agreement, the Credit Facility Provider may, in lieu of specifying a date on which all or some portion of the 2009 Bonds are to be redeemed, specify a Change Date on which all or a portion of the 2009 Bonds shall be subject to mandatory tender for purchase, as a remedy for such Event of Termination under the Resolution, which Change Date shall not be later than eight (8) days following receipt by the Trustee of the Credit Facility Provider's direction to purchase such 2009 Bonds provided however, that if the Credit Facility Provider shall have directed that the mandatory tender for purchase of the 2009 Bonds be for a portion of the 2009 Bonds, only such portion of the 2009 Bonds shall be subject to mandatory tender for purchase by the owners thereof on such Change Date, and the particular 2009 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 2009 Bond for tender which would result in any remaining 2009 Bonds 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 affected 2009 Bond a notice of mandatory tender for purchase by overnight express mail or

courier service. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.”

Any notice of mandatory tender of 2009 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 2009 Bonds shall be deemed to have tendered their 2009 Bonds for purchase on the Change Date and the Purchase Price for the affected 2009 Bonds. Owners of affected 2009 Bonds shall be required to tender their 2009 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 2009 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 2009 Bonds shall be deemed to have been purchased at the Purchase Price on the respective Change Date. IN THE EVENT OF A FAILURE BY AN OWNER OF ANY AFFECTED 2009 BONDS TO DELIVER ITS AFFECTED 2009 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 2009 BONDS, AND ANY UNDELIVERED 2009 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Additional Provisions Regarding Purchased Bonds

Pursuant to the Resolution, 2009 Bonds for which the Purchase Price is funded with moneys provided under the Credit Facility and which are not remarketed shall become Purchased Bonds. No Credit Facility shall constitute security or provide liquidity support for Purchased Bonds. Purchased Bonds shall be pledged pursuant to the Pledge Agreement, except as otherwise provided in the Resolution.

Failure to pay interest on Purchased Bonds when due, or failure to pay principal and interest on Purchased Bonds upon any Redemption Date or purchase date or the maturity date of Purchased Bonds, shall not constitute an Event of Default. Upon the maturity date of the 2009 Bonds, or upon any Redemption Date for the redemption in whole of the 2009 Bonds (whether by reason of optional or mandatory redemption) or date of acceleration of the 2009 Bonds, all Purchased Bonds shall be deemed cancelled. Purchased Bonds shall also be cancelled at the direction of the Credit Facility Provider. At such time as a Purchased Bond is remarketed, the Trustee or the Tender Agent, as appropriate, shall (a) remit the proceeds from the remarketing to the Credit Facility Provider, and (b) to the extent that the Credit Facility has been reinstated by the amount required as specified in the Resolution, give written notice to the Remarketing Agent, the Mortgagor and the Credit Facility Provider that such Bond is no longer a Purchased Bond.

Provisions Affecting 2009 Bonds if a Change of Method of Determining the Interest Rate Cannot be Effected or if a Credit Facility Cannot be Replaced

In the event of a Facility Change Date or an Interest Method Change Date and following the provision of notice of mandatory purchase of 2009 Bonds, the Trustee receives notice from the Corporation or the Remarketing Agent, as applicable, that a change in the method of determining the interest rate on the 2009 Bonds cannot be effected, or a Credit Facility that was to be replaced cannot be replaced, then;

- i. The Trustee shall promptly deliver or mail by first class mail, postage prepaid, a notice to the owners of the 2009 Bonds stating that such change shall not occur and the reasons therefore,
- ii. the 2009 Bonds shall be subject to mandatory tender on the proposed Change Date and the holders of 2009 Bonds shall not have the right to retain their 2009 Bonds,
- iii. with respect to a proposed Interest Method Change Date, the interest rate shall remain in the Weekly Rate, and
- iv. with respect to a proposed Facility Change Date, the Facility Change Date shall be cancelled, unless the prior Credit Facility is expiring within sixty (60) days after the Change Date.

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 2009 Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, which Supplemental Resolution may be adopted and become effective (i) upon filing of a copy thereof certified by an Authorized Officer of the Corporation with the Trustee, (ii) upon filing with the Trustee and the Corporation of a consent to such Supplemental Resolution executed by the Trustee, and (iii) if such Supplemental Resolution is to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2009 Bonds in connection with the Mandatory Purchase Provision or Demand Purchase Option, after such period of time as the Trustee and the Corporation deem appropriate following notice to the 2009 Bond owners (but not less than thirty (30) days). A copy of any such Supplemental Resolution shall be provided to the owners of the 2009 Bonds.

Delivery of 2009 Bonds in Book-Entry Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2009 Bond is held in book-entry form, such 2009 Bond need not be delivered in connection with any optional or mandatory tender of 2009 Bonds described under "DESCRIPTION OF THE 2009 BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2009 Bonds on the date designated for such payment, without further action by the Beneficial Owner, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See "BOOK-ENTRY ONLY SYSTEM."

Redemption of the 2009 Bonds - Mandatory

Special Redemption from Certain Recoveries of Principal

The 2009 Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date prior to maturity, in an amount not in excess of any Recoveries of Principal (other than the advance payment in full of all amounts to become due pursuant to the Mortgage Loan, at the option of the Mortgagor with moneys other than amounts transferred from the Principal Reserve Fund, during a Weekly Rate Period), at a Redemption Price equal to one hundred percent (100%) of the principal amount

of the 2009 Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date. Recoveries of Principal include amounts transferred from the Principal Reserve Fund at the option of the Mortgagor as more fully described under “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund” and a partial prepayment of the Mortgage Loan made by or on behalf of the Mortgagor as described under “THE MORTGAGE LOAN AND OTHER FINANCING.”

Mandatory Redemption on Bankruptcy of Credit Facility Provider

The 2009 Bonds are subject to mandatory redemption, in whole, at any time prior to maturity, if, within thirty (30) days after an Act of Bankruptcy of the Credit Facility Provider, the Trustee has not received a substitute Credit Facility, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the 2009 Bonds to be redeemed, plus accrued interest to the Redemption Date.

Mandatory Redemption Upon a Declaration of Acceleration

Following an Event of Default. The 2009 Bonds are subject to mandatory redemption, in whole, at any time prior to maturity and 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 one hundred percent (100%) of the principal amount of the 2009 Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date, which Redemption Date shall be the date of such declaration of acceleration.

Following an Event of Termination. The 2009 Bonds are subject to mandatory redemption, in whole or in part, at any time prior to maturity and 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 one hundred percent (100%) of the principal amount of the 2009 Bonds to be redeemed, plus accrued interest to the Redemption Date, which Redemption Date shall be the date of such declaration of acceleration.

Mandatory Redemption from Certain Transfers from Principal Reserve Fund

The 2009 Bonds are subject to mandatory redemption, in whole or in part, on the first Business Day of March each year if and to the extent amounts are transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding February 1 (or, if such day is not a Business Day, the next succeeding Business Day). See “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund”. Each such redemption will be at a Redemption Price equal to one hundred percent (100%) of the principal amount of the 2009 Bonds or portions thereof to be redeemed, plus accrued interest to the Redemption Date.

Redemption of the 2009 Bonds - Optional

The 2009 Bonds are subject to redemption, in whole or in part, at the option of the Corporation on any Interest Payment Date prior to maturity, at a Redemption Price equal to one hundred percent (100%) of the principal amount of the 2009 Bonds or portions thereof to be so redeemed, plus accrued interest to the Redemption Date.

Selection of 2009 Bonds to be Redeemed

In the event of redemption of less than all Outstanding 2009 Bonds, the Trustee shall select the 2009 Bonds to be redeemed in authorized denominations by lot, using such method as it shall determine in its sole discretion. For the purposes of this section, 2009 Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

The foregoing notwithstanding, (i) for so long as any Credit Facility shall be in effect, the first 2009 Bonds to be redeemed shall be Purchased Bonds and (ii) no 2009 Bond shall be selected for redemption if the portion of such 2009 Bond remaining after such redemption would not be in a denomination authorized by the Resolution.

Notice of Redemption

When the Trustee receives notice from the Corporation of its election or direction to redeem 2009 Bonds, or is required pursuant to the Resolution to redeem 2009 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2009 Bonds. Such notice is to specify, among other things, the 2009 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 2009 Bonds or portions of 2009 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry book not less than fifteen (15) days before the Redemption Date for such 2009 Bonds. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2009 Bonds of which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on the 2009 Bonds after the Redemption Date if notice has been given, or is not required to be given, if the conditions precedent to the redemption, if any, have been satisfied, and if sufficient moneys have been deposited with the Trustee to pay the applicable Redemption Price and interest on the 2009 Bonds on such date. So long as the 2009 Bonds are in book-entry only form, notice of redemption shall only be given to DTC. See “DESCRIPTION OF THE 2009 Bonds – Book-Entry Only System.”

Corporation’s Right to Purchase

The Corporation retains the right to purchase the 2009 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 for the 2009 Bonds.

Disclosure Concerning Remarketing of the 2009 Bonds

The information contained under this heading “Disclosure Concerning Remarketing of the 2009 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 Paid by the Mortgagor. The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing 2009 Bonds that are optionally tendered by the holders thereof, 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 the 2009 Bonds.

The Remarketing Agent May Routinely Purchase 2009 Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2009 Bonds for its own account. The Remarketing Agent, in its sole discretion, may routinely acquire tendered 2009 Bonds for its own inventory in order to achieve a successful remarketing of the 2009 Bonds (i.e., because there otherwise are not enough buyers to purchase the 2009 Bonds) or for other reasons. However, the Remarketing

Agent is not obligated to purchase 2009 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2009 Bonds by routinely purchasing and selling 2009 Bonds other than in connection with a 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 2009 Bonds. The Remarketing Agent may also sell any 2009 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 2009 Bonds. The purchase of 2009 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2009 Bonds in the market than is actually the case. The practices described above also may reduce the supply of 2009 Bonds that may be tendered in a remarketing.

Bonds May be Offered at Different Prices on any Date. The Remarketing Agent is required to determine on the rate determination date (“Rate Determination Date”) the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2009 Bonds at par plus accrued interest, if any. The interest rate will reflect, among other factors, the level of market demand for the 2009 Bonds (including whether the Remarketing Agent is willing to purchase 2009 Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered 2009 Bonds at par, plus accrued interest. There may or may not be 2009 Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2009 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell 2009 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 2009 Bonds at the remarketing price.

The Ability to Sell the 2009 Bonds other than through Tender Process May Be Limited. While the Remarketing Agent may buy and sell 2009 Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the 2009 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2009 Bonds other than by tendering the 2009 Bonds in accordance with the tender process.

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 2009 Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into a Regulatory Agreement with the Mortgagor and HDFC 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 2009 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 2009 Bonds. However, a default by the Mortgagor under the Regulatory Agreement would give rise to an event of default under the Reimbursement Agreement. In such an event, the Credit Facility Provider would have the right, in its sole and absolute discretion, to cause a mandatory tender or redemption of all or a portion of the 2009 Bonds. See “DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination” and “ – Redemption of the 2009 Bonds - Mandatory – Mandatory Redemption Upon a Declaration of Acceleration – Following an Event of Termination.” In addition, an owner of a 2009*

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 2009 Bond in any denomination authorized by the Resolution. See "DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds – Purchase of the 2009 Bonds on Demand of Owner."

SECURITY FOR THE BONDS

Pledge of the Resolution

The Resolution constitutes a contract among the Corporation, the Trustee and the owners of the 2009 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 2009 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 2009 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 2009 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 a Credit Facility by the Credit Facility Provider or a 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 Freddie Mac and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Corporation, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents. The Trustee will assign the Mortgage Rights to Freddie Mac. If a Wrongful Dishonor occurs and is continuing, the Mortgage Rights shall automatically, without any further action on the part of the Trustee or Freddie Mac, revert to the Trustee. The Trustee will hold the Mortgage and the Mortgage Documents for the benefit of the owners of the Bonds and Freddie Mac, subject to Freddie Mac's rights under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Freddie Mac in certain events. See "THE MORTGAGE LOAN AND OTHER FINANCING" for a more complete description.

Credit Enhancement Agreement

The Credit Enhancement Agreement constitutes an “Initial Credit Facility” and, together with any Alternate Security, the “Credit Facility” under the Resolution. Freddie Mac constitutes the “Initial Credit Facility Provider” under the Resolution.

The following description of the Initial Credit Facility does not purport to be complete or to cover all sections of the Initial Credit Facility. Reference is made to the Initial Credit Facility, each on file with the Trustee, for the complete terms thereof and the rights, duties and obligations of Freddie Mac and the Trustee thereunder.

Freddie Mac will be required to advance funds under the Credit Enhancement Agreement to the Trustee with respect to the payment of: (i) the then-outstanding principal amount of the Mortgage Note (other than with respect to Purchased Bonds) when due by reason of acceleration, prepayment or maturity and (ii) up to 35 days’ interest thereon at the Maximum Rate to pay the interest on the 2009 Bonds (other than Purchased Bonds) when due on or prior to their stated maturity date, and (iii) all or a portion of the Fee Component, if not paid to the Corporation in a timely manner.

Freddie Mac will also be required to advance funds under the Credit Enhancement Agreement to the Trustee up to the principal amount of the 2009 Bonds and interest thereon at the Maximum Rate for up to 35 days in order to pay the Purchase Price of 2009 Bonds tendered to the Trustee, as Tender Agent, and not remarketed pursuant to the Remarketing Agreement.

Freddie Mac’s obligations to make advances to the Trustee, during the term of the Initial Credit Facility, upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Agreement are irrevocable.

To the extent of advances made under the Credit Enhancement Agreement with respect to the payment of the then-outstanding principal amount of the Mortgage Note, the obligations of Freddie Mac under the Credit Enhancement Agreement to pay principal, interest thereon and the Fee Component will be correspondingly reduced, but with respect to advances made under the Credit Enhancement Agreement with respect to the Fee Component and to the payment of interest on the then-outstanding principal amount of the Mortgage Note not made in connection with the payment of principal, the Fee Component and the interest component of the Credit Enhancement Agreement will be automatically reinstated. With respect to advances made under the Credit Enhancement Agreement to pay the Purchase Price of tendered or deemed tendered 2009 Bonds, the Credit Enhancement Agreement will be correspondingly reduced and will be reinstated to the extent such Bonds are subsequently remarketed and Freddie Mac is reimbursed for such advances. Outstanding 2009 Bonds purchased by the Tender Agent with funds provided by such advances will be owned by the Mortgagor and will be pledged for the benefit of Freddie Mac (“Purchased Bonds”).

In computing the amount to be advanced under the Credit Enhancement Agreement with respect to the payment of the principal of or interest on the then-outstanding principal amount of the Mortgage Note, the Trustee shall exclude any such amounts in respect of any such Bonds that are Purchased Bonds on the date such payment is due, and amounts advanced to the Trustee under the Credit Enhancement Agreement shall not be applied to the payment of the principal of or interest on any 2009 Bonds that are Purchased Bonds on the date such payment is due.

To receive payment under the Credit Enhancement Agreement, the Trustee must make a presentation of certain payment documents under the Credit Enhancement Agreement on or prior to the expiration date of the Credit Enhancement Agreement at the appropriate office of Freddie Mac. The

Credit Enhancement Agreement will expire at 4:00 p.m. Eastern time on December 6, 2039 (the “Credit Enhancement Agreement Expiration Date”, which is five days after the final maturity of the 2009 Bonds). The Credit Enhancement Agreement will automatically terminate on the first to occur of: (a) the Credit Enhancement Agreement Expiration Date; (b) the honoring by Freddie Mac of the final draw available to be made under the Credit Enhancement Agreement such that the principal portion of the amount available will be reduced to zero and will not be subject to reinstatement; or (c) receipt of a written notice signed by the Trustee’s duly authorized officer stating that none of the 2009 Bonds are Outstanding under the Resolution (d) the date on which the Trustee, after having received sufficient funds to redeem all of the 2009 Bonds Outstanding in accordance with the terms of the Resolution, shall have released the trust estate encumbered by the Resolution and shall have paid to Freddie Mac all amounts required to be paid under the Resolution, the then-outstanding principal amount of the Mortgage Note, the Reimbursement Agreement or the Credit Enhancement Agreement, and (e) the date which is two Business Days after the effective date of any Alternate Security.

FREDDIE MAC’S OBLIGATIONS WITH RESPECT TO THE 2009 BONDS ARE SOLELY AS PROVIDED IN THE INITIAL CREDIT FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE INITIAL CREDIT FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED AND EXISTING UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE 2009 BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE INITIAL CREDIT FACILITY, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PURCHASE PRICE OF THE 2009 BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE 2009 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

Alternate Security

The Credit Enhancement Agreement may be replaced with various other forms of credit enhancement (each an “Alternate Security”; the Credit Enhancement Agreement or Alternate Security being herein referred to as the “Credit Facility”), or, upon conversion of the 2009 Bonds to a Fixed Rate, 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 2009 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 2009 Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from each rating agency then rating the 2009 Bonds to the effect that such Alternate Security will provide the 2009 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 any Credit Facility, the 2009 Bonds are subject to mandatory tender as described above under the caption “DESCRIPTION OF THE 2009 Bonds – Purchase of the 2009 Bonds — Mandatory Purchase of 2009 Bonds Upon Replacement of Credit Facility.”

Principal Reserve Fund

The Principal Reserve Fund is established pursuant to the Resolution and is to be held by the Trustee. Pursuant to the Resolution, there is to be deposited into the Principal Reserve Fund all of the

monthly payments made by the Mortgagor in accordance with the Principal Reserve 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 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 (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 released shall no longer secure the 2009 Bonds.*

Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund is 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 Credit Facility which were applied to pay interest due on and/or principal of the 2009 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such interest and/or principal;

(2) at the written direction of the Credit Facility Provider, to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay the Purchase Price of tendered 2009 Bonds to the extent that remarketing proceeds, if any pursuant to the Resolution, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;

(3) at the written direction of the Credit Facility Provider, with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Financing Agreement, Regulatory Agreement or the Credit Agreement beyond the expiration of any applicable grace or cure 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 grace or cure period under the Credit Agreement, or any other Borrower Document, or if the Mortgagor otherwise consents in writing, 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.

All amounts in the Principal Reserve Fund (rounded down to \$100,000 or the greatest \$5,000 increment in excess of \$100,000) are required to be transferred to the Redemption Account on February 1st of each year (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, to reimburse the Credit

Facility Provider for amounts advanced under the Credit Facility to effect the redemption of 2009 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of the 2009 Bonds) on the first Business Day of the next succeeding March. See “DESCRIPTION OF THE 2009 BONDS – Redemption of 2009 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 Credit Facility to effect the redemption of the 2009 Bonds (or, in the event a Wrongful Dishonor has occurred or is continuing, directly to the redemption of the 2009 Bonds). Any amounts so transferred shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and be a Recovery of Principal. See “DESCRIPTION OF THE 2009 BONDS – Redemption of 2009 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 Credit Facility to effect the mandatory tender or mandatory redemption in whole or in part of the 2009 Bonds. See “DESCRIPTION OF THE 2009 BONDS – Redemption of 2009 Bonds – Mandatory – Mandatory Redemption Following an Event of Termination,” “DESCRIPTION OF THE 2009 BONDS” – Credit Facility Provider’s Right to Cause a Mandatory Tender for Purchase of 2009 Bonds Upon an Event of Termination” and “SUMMARY OF CERTAIN PROVISIONS OF THE CREDIT AGREEMENT.”

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

Additional Bonds

Additional Bonds, on parity with the 2009 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 2009 Bonds, no Additional Bonds shall be issued unless such Additional Bonds are secured by the same Credit Facility in effect for the 2009 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 “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Additional Bonds.”

Bonds Not a Debt of the State or the City

The 2009 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 2009 Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

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 2009 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 2009 Bonds, or in any way impair the rights and remedies of such owners until the 2009 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 2009 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 2009 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 2009 Bond for any period during which such 2009 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 2009 Bonds or a “related person,” and (ii) interest on the 2009 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 2009 Bonds, and Bond Counsel to the Corporation has assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2009 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 2009 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 2009 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 2009 Bonds or the exemption from personal income taxes of interest on the 2009 Bonds under state and local tax law.

Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the 2009 Bonds for purposes of Federal income taxation requires that (i) at least 25% of the units in the Project financed by the 2009 Bonds be occupied during the “Qualified Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8, 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 2009 Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the Project, (ii) the first date on which no tax-exempt private activity bonds issued with respect to the Project are outstanding, or (iii) the date on which any assistance provided with respect to the Project under Section 8 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 2009 Bonds, the Treasury Regulations provide that the exclusion of interest on the 2009 Bonds from gross income for Federal income tax purposes will not be impaired if the Corporation takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Corporation.

Compliance and Additional Requirements

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2009 Bonds in order that interest on the 2009 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 2009 Bonds, yield and other limits regarding investment of the proceeds of the 2009 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 2009 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 and HDFC 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 2009 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 2009 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 2009 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2009 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 2009 Bonds.

Prospective owners of 2009 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 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 2009 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 2009 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 2009 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 2009 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 2009 Bonds under Federal or state law and could affect the market price or marketability of the 2009 Bonds. Prospective purchasers of the 2009 Bonds should consult their own tax advisors regarding the foregoing matters.

NO LITIGATION

The Corporation

At the time of delivery and payment for the 2009 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 or adversely affecting the Corporation of which the Corporation has notice or, to the knowledge of the Corporation, any basis therefor, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2009 Bonds, or in any way contesting or affecting the validity of the 2009 Bonds, the Resolution or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the financing of the Mortgage Loan or the Subordinate Loan or the pledge, collection or application of any moneys or security provided for the payment of the 2009 Bonds, or the existence or powers of the Corporation, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or challenging the exclusion of interest on the 2009 Bonds from gross income for Federal income tax purposes.

The Mortgagor

At the time of delivery and payment for the 2009 Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of such Mortgagor substantially to the effect that there is no litigation or other proceeding of any nature now pending, or to the knowledge of its partners, members, managers or officers, as applicable, threatened against or adversely affecting the Mortgagor or its partners, members, managers or officer, as applicable, or the Project, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2009 Bonds or the financing of the Mortgage Loan or the Subordinate Loan, the acquisition or rehabilitation of the Project, or in any way contesting or affecting the validity or enforceability of the 2009 Bonds, the Mortgage Documents, the letter of representation and indemnity agreement, any proceedings of the Mortgagor taken with respect to the issuance or sale thereof or the financing of the Mortgage Loan or the Subordinate Loan, its existence, powers or operations or the pledge, collection or application of any moneys or security provided for the payment of the 2009 Bonds, or contesting in any material respect the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers or authority of the Mortgagor with respect to the 2009 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 2009 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 2009 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 Freddie Mac by its Office of General Counsel and by its Special Counsel, Katten Muchin Rosenman LLP. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Cannon Heyman & Weiss, LLP. Certain legal matters will be passed upon for the Underwriter by its Counsel, Nixon Peabody LLP, New York, New York.

LEGALITY OF 2009 BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 2009 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 2009 Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed, subject to certain conditions, to purchase the 2009 Bonds from the Corporation at an aggregate purchase price of \$25,500,000 and to make a public offering of the 2009 Bonds at prices that are not in excess of the public offering price stated on the cover page of this Official Statement. The Underwriter will receive an underwriting fee for its services in the amount of \$108,941.50 (including counsel fees). The Underwriter will be obligated to purchase all such 2009 Bonds if any are purchased. The 2009 Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. has assigned a rating of "AAA/A-1+" to the 2009 Bonds. Such rating reflects only the view of such organization and an explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an effect on the market price of the 2009 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 2009 Bonds that there has been no change in the affairs of the Corporation from the date hereof. Pursuant to the Resolution, the Corporation has covenanted to keep proper books of record and account in which full, true and correct entries will be made of all its dealings and transactions under the Resolution and to cause such books to be audited for each fiscal year. The Resolution requires that such books be open to inspection by the Trustee and the owners of not less than 5% of the 2009 Bonds issued thereunder during regular business hours of the Corporation and that the Corporation furnish a copy of the auditor's report, when available, upon the request of the owner of any Outstanding 2009 Bond.

Additional information may be obtained from the undersigned at 110 William Street, 10th Floor, New York, New York 10038, (212) 227-5500 or through its internet address: 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 2009 Bonds.

This Official Statement is submitted in connection with the sale of the 2009 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: December 14, 2009

[This page intentionally left blank]

DEFINITIONS OF CERTAIN TERMS

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

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

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

“Act” means the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law (Chapter 44-b of the Consolidated Laws of the State of New York), as amended.

“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 2009 Bonds, authorized pursuant to the Resolution.

“Administrative Fee” means the administrative fee of the Corporation in the aggregate 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 Credit Enhancement Agreement, 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, credit enhancement instrument 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 Bonds at the time Outstanding, plus (y) the Interest Requirement, and (b) if said Alternate Security is to be in effect during a Weekly Rate Period, it must provide for payment of the Purchase Price upon the exercise by any Bond owner of the applicable Demand Purchase Option.

“Assignment” means the Assignment and Intercreditor Agreement, with respect to, among other things, the Mortgage Loan, by the Corporation to the Trustee and the Credit Facility Provider, and acknowledged, accepted and agreed to by the Mortgagor and East Harlem Lexington Housing Development Fund Company, Inc. (“HDFC”), as the same may be amended or supplemented from time to time.

“Authorized Officer” means (a) when used with respect to the Corporation, the Chairperson, Vice Chairperson, President, 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 corporate trust administrator 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 the Credit Facility Provider, any officer or employee of the Credit Facility Provider then authorized to perform such act or discharge such duty.

“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) a day on which DTC is closed.

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

“Change Date” means, with respect to the 2009 Bonds, (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Facility Provider pursuant to the Resolution for carrying out a purchase of 2009 Bonds upon an Event of Termination or (iv) a date specified by the Corporation pursuant to the Resolution for carrying out a purchase of 2009 Bonds in connection with a Mortgagor’s 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 December 11, 2009, between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

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

“Costs of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale and issuance of Bonds, including but not limited to underwriting discount or fee, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and the Credit Facility Provider, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, the financing fee of the Corporation, and any other cost, charge or fee in connection with the original issuance of Bonds.

“Credit Agreement” means, with respect to the Initial Credit Facility, the Reimbursement and Security Agreement, dated as of December 1, 2009, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

“Credit Enhancement Agreement” means the Credit Enhancement Agreement, dated as of December 1, 2009, between the Initial Credit Facility Provider and the Trustee, as the same may be amended, modified or supplemented from time to time.

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

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

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

“Credit Facility Provider” means, so long as the Initial Credit Facility is in effect, the Initial Credit Facility Provider, and, 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 2009 Bonds for purchase of any 2009 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) two (2) Business Days before any date on which the Credit Facility terminates or expires and is not extended or replaced by a new Credit Facility; provided, however, that if, in connection with the issuance of Additional Bonds, an existing Credit Facility is replaced by a Credit Facility issued by the same Credit Issuer that had issued the then existing Credit Facility and such replacement Credit Facility is issued on substantially identical terms and conditions with respect to the rights of the owners of the Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Credit Facility with respect to the Bonds, except that the stated amount of such replacement Credit Facility shall reflect the issuance of such Additional Bonds, then no Facility Change Date shall be deemed to have occurred as a result of such replacement so long as such replacement does not result in the reduction or withdrawal of the then existing rating(s) on the Bonds by the national rating agency or agencies then rating the Bonds.

“Financing Agreement” means the Financing Agreement, dated as of December 1, 2009, by and between the Corporation and the Mortgagor, with respect to the Mortgage Loan, as the same may be amended or supplemented from time to time.

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

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

“HPD” means the New York City Department of Housing Preservation and Development, its successors and assigns.

“Initial Credit Facility” means the Credit Enhancement Agreement, executed and delivered by the Initial Credit Facility Provider and the Trustee, as the same may be amended, modified or supplemented from time to time.

“Initial Credit Facility Provider” means Freddie Mac.

“Interest Method Change Date” means any date on which the method of determining the interest rate on the 2009 Bonds changes, as established by the Resolution; provided that an Interest Method Change Date may only occur on an Interest Payment Date, or if such day is not a Business Day, the next succeeding Business Day.

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

“Interest Requirement” means 35 days’ interest on the Bonds at the Maximum Rate on the basis of a 365 or 366-day year for the actual number of days elapsed, 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 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 (1) year maturity; at least Aa2/P-1 or the equivalent for obligations with a maturity of one (1) year or greater but less than three (3) years; and at least Aaa or the equivalent for obligations with a maturity of three (3) 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 Credit Facility is not in effect,

(a) Government Obligations;

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

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

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

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

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

(g) short-term corporate obligations, known as Commercial Paper, with a maturity of up to ninety (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;

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

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

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

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

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

"Letter of Representations" means the Blanket Issuer Letter of Representations, dated April 26, 1996, from the Corporation to DTC, applicable to the 2009 Bonds.

“Mandatory Purchase Provision” means the purchase provision of the 2009 Bonds for the purchase of some or all 2009 Bonds pursuant to the Resolution.

“Maximum Rate” means twelve percent (12%) per annum or such higher rate, not to exceed fifteen percent (15%), 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 the Multifamily Mortgage, Assignment of Rents and Security Agreement (together with all riders) securing the Mortgage Note, dated as of the date of initial issuance of the 2009 Bonds, executed by the Mortgagor and HDFC, with respect to the Project in favor of the Corporation, and assigned by the Corporation to the Trustee and the Initial 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 Financing Agreement.

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

“Mortgage Note” means the Multifamily Note (together with all addenda to the Multi-Family Note), evidencing the Mortgage Loan, dated as of the date of initial issuance of the 2009 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 Rights” means, with respect to the Mortgage Loan, without limitation, all of the rights under the Mortgage Note, the Mortgage and the other Mortgage Documents to direct actions, grant consents, grant extensions, grant waivers, grant requests, give approvals, give directions, give releases, make appointments, take actions and do all other things under the Mortgage Note, the Mortgage and the other Mortgage Documents, including, without limitation, the right, power and authority to assign or delegate the right, power and authority to enter into ancillary agreements, documents and instruments otherwise relating to the Mortgage Loan, including agreements with respect to the servicing of the Mortgage Loan, and to vest in its assignee such rights, powers and authority as may be necessary to implement any of the foregoing.

“Mortgagor” means East Harlem Lexington Partners 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 beneficial owner of the Project.

“Non-Bond Mortgage” means, collectively, the mortgage or mortgages or other instruments securing the loan made by the Corporation to the Mortgagor on the date of issuance of the 2009 Bonds with funds other than the proceeds of the 2009 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 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 2009 Bonds as securities depository.

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

“Pledge Agreement” means with respect to the Initial Credit Facility Provider and the Initial Credit Facility, the Pledge, Security and Custody Agreement, dated as of December 1, 2009, between the Mortgagor, Freddie Mac and the Trustee, as collateral agent for the Initial Credit Facility Provider and as securities intermediary, and with respect to any other Credit Facility Provider providing an Alternate Security and such Alternate Security, any agreement between the Mortgagor and the Credit Facility Provider or the Trustee pursuant to which the Mortgagor agrees to pledge 2009 Bonds to the Credit Facility Provider in connection with the provision of moneys under such Alternate Security, in each case, as the same may be amended, modified or supplemented from time to time.

“Pledged Receipts” means (i) the scheduled or other payments required by the Mortgage Loan and paid to or to be paid to the Corporation from any source, including both timely and delinquent payments; provided that, with respect to any amounts payable under Section 236 of the National Housing Act of 1934, as amended, or Section 8 of the United States Housing Act of 1937, as amended, only those amounts duly and properly paid and actually received by or on behalf of the Corporation or the Trustee shall constitute Pledged Receipts, (ii) accrued interest, if any, received upon the initial issuance of the Bonds and (iii) all income earned or gain realized in excess of losses suffered on any investment or deposit of moneys in the Accounts established and maintained pursuant to the Resolution, but shall not mean or include amounts required to be deposited into the Rebate Fund, Recoveries of Principal, any Escrow Payments, late charges or any amount entitled to be retained by the Servicer (which may include the Corporation), as administrative, financing, extension or settlement fees of the Servicer or the Credit Facility Provider.

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

“Principal Office”, when used with respect to the Trustee shall mean 60 Wall Street, 27th Floor, Mailstop NYC60-2175, New York, New York 10005, Attention: Trust & Securities Services (Municipal

Group); when used with respect to the Tender Agent shall mean the same address as that of the Trustee or the address of any successor Tender Agent appointed in accordance with the terms of the Resolution, and when used with respect to the Remarketing Agent shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, 4 World Financial Center, 11th Floor, New York, New York 10080, and when used with respect to the Credit Facility Provider means Federal Home Loan Mortgage Corporation, 8100 Jones Branch Drive, McLean, Virginia 22102, or such other offices designated to the Corporation in writing by the Trustee, Tender Agent, Remarketing Agent or Credit Facility Provider as the case may be.

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

“Project” means the multi-family rental housing development located at 2010 Lexington Avenue, 135 East 122nd Street, 121, 125, 158, 166 and 212 East 119th Street and 149 and 125-127 East 118th Street, in the Borough of Manhattan, County of New York, City and State of New York, as more fully described under the caption “THE PROJECT AND THE MORTGAGOR – The Project” herein.

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

“Purchased Bond” means any 2009 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 2009 Bond is remarketed to any person other than the Credit Facility Provider, the Mortgagor, any partner of the Mortgagor or the Corporation.

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

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

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

“Record Date” means the Business Day immediately preceding any Interest Payment Date.

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

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

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

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

“Regulatory Agreement” means the Regulatory Agreement, dated as of the date of initial issuance of the 2009 Bonds, by and among the Corporation, the Mortgagor and HDFC, as the same may be amended or supplemented from time to time.

“Rehabilitation Escrow Agreement” means the Rehabilitation Escrow Agreement, dated as of December 17, 2009, by and among the Mortgagor, the Corporation, Freddie Mac and Wachovia Multifamily Capital, Inc.

“Reimbursement Agreement” means the Reimbursement and Security Agreement, dated as of December 1, 2009, between the Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time.

“Remarketing Agent” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, 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 2009 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 Rental Housing Revenue Bonds (Lexington Courts) Bond Resolution adopted by the Corporation on December 3, 2009 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.

“Section 236 Use Agreement” means the Section 236 Use Agreement, dated as of December 1, 2009, by and among HUD, HDFC and the Mortgagor.

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

“Sinking Fund Payment” means, with respect to a particular Series, as of any particular date of calculation, the amount required to be paid in all events by the Corporation on a single future date for the retirement of Outstanding Bonds which mature after said future date, but does not include any amount payable by the Corporation by reason of the maturity of a Bond or by call for redemption at the election of the Corporation.

“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 2009 Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

“Term Rate” means the rate of interest on the 2009 Bonds described in Resolution.

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

“2009 Bonds” means the Bonds of such name authorized to be issued pursuant to the Resolution.

“Undelivered Bonds” means, (i) with respect to the Mandatory Purchase Provision, any 2009 Bonds which have not been delivered to the Tender Agent for purchase on or prior to the applicable Change Date or (ii) with respect to the Demand Purchase Option, any 2009 Bonds not delivered to the Tender Agent for purchase after notice of tender within the time period prescribed by the Resolution.

“Weekly Effective Rate Date” means, (i) with respect to any Weekly Rate Term in effect immediately following the issuance of and delivery of the 2009 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 2009 Bonds, as described in “DESCRIPTION OF THE 2009 Bonds – Interest Rate Periods – Weekly Rate Period.”

“Weekly Rate Period” means any period of time during which a Series of the 2009 Bonds bear interest at the Weekly Rate.

“Weekly Rate Term” means with respect to any particular 2009 Bond, the period commencing on a Weekly Effective Rate Date and terminating on the earlier of the last calendar day prior to the Weekly Effective Rate Date of the following Weekly Rate Term, or the last calendar day prior to a Change Date.

“Wrongful Dishonor” means the failure of the Credit Facility Provider to honor a draw made in accordance with the terms of the Credit Facility (which draw complies with, and conforms to, the terms and conditions of the Credit Facility).

[This page intentionally left blank]

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Contract With Bond Owners – Security for Bonds – Limited Obligation

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the Resolution shall constitute a contract among the Corporation, the Trustee and the owners from time to time of such Bonds. The pledges and assignments made in the Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for (i) the equal benefit, protection and security of the owners of any and all of such Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Resolution and (ii) the benefit of the Credit Facility Provider, as provided in the Resolution. The Corporation pledges the Revenues and all amounts held in any Account, including investments thereof, established under the Resolution, to the Trustee for the benefit of the Bond owners and the Credit Facility Provider to secure (i) the payment of the principal or Redemption Price of and interest on the Bonds (including the Sinking Fund Payments for the retirement thereof) and (ii) all obligations owed to the Credit Facility Provider under the Credit Agreement, 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 the Mortgage Documents, except as otherwise provided in the Assignment. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged under the Resolution. In addition, the Bonds shall be payable from Credit Facility Payments.

Provisions for Issuance of Bonds

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

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

by the Resolution and such Supplemental Resolution; and (iii) upon the execution, authentication and delivery thereof, such Bonds will have been duly and validly authorized and issued in accordance with the laws of the State, including the Act as amended to the date of such Opinion, and in accordance with the Resolution and such Supplemental Resolution;

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

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

(d) with respect to the 2009 Bonds, the Initial Credit Facility, or if required with respect to any Additional Bonds, the Credit Facility;

(e) with respect to the 2009 Bonds, executed copies of the Assignment, the Financing Agreement, the Regulatory Agreement, the Remarketing Agreement, the Pledge Agreement, the Tender Agent Agreement, the Mortgage, the Mortgage Note and the Credit Agreement, and with respect to Additional Bonds, such documents as are specified in the Supplemental Resolution authorizing the same; and

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

Parity Bonds

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

For so long as a Credit Facility shall be in effect for the 2009 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2009 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, 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 2009 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 2009 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 Financing 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 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 first mortgage lien, subject only to Permitted Encumbrances on the real property securing such 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; provided that so long as the Initial Credit Facility is in effect, such Government Obligations shall consist of only direct and general obligations of the United States of America or 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.

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

Establishment of Accounts

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

- (1) Bond Proceeds Account;
- (2) Revenue Account (including the Credit Facility Payments Sub-Account therein);
- (3) Redemption Account; and
- (4) Principal Reserve Fund.

In the event provision is made for an Alternate Security with respect to the 2009 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 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 Financing Agreement. Earnings on all Accounts established under the Resolution shall be deposited, as realized, in the Revenue Account, except for moneys required to be deposited in the Rebate Fund in accordance with the provisions of the Resolution and except for interest income representing a recovery of the premium and accrued interest, if any, included in the purchase price of any Investment Security, which shall be retained in the particular account for which the Investment Security was purchased. During the term of the Initial Credit Facility, the Trustee shall obtain moneys thereunder in accordance with the terms thereof, in a timely manner and in amounts sufficient to pay the principal or Redemption Price of and interest on the Bonds, as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or

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

On or before each Interest Payment Date, the Trustee shall pay, from the sources described below and in the order of priority indicated, the amounts required for the payment of the Principal Installments, if any, and interest due on the Outstanding Bonds on such date, and on or before the Redemption Date or date of purchase (but not with respect to any purchase pursuant to the Mandatory Purchase Provision or the Demand Purchase Option or other required tender for purchase), 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, including, but not limited to, moneys on deposit in the Principal Reserve Fund.

After payment of the Principal Installments, if any, and interest due on the Outstanding Bonds has been made, and to the extent payments on the Bonds are made from the source described in subparagraph (1) 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 or the Servicer 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 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, such purchases to be made in such manner as the Trustee (after consultation with the Corporation) shall determine, or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

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

As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Payment, the Trustee shall call for redemption on such due date, Bonds in such amount as shall be necessary to complete the retirement of a principal amount of Bonds equal to the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Revenue Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date.

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

After payment of the principal of such Outstanding Bonds to be redeemed or purchased has been made, and to the extent payments for the redemption or purchase of the Bonds are made from the source described in subparagraph (1) 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 (5th) Bond Year and at the time that the last Bond that is part of the issue is discharged, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of such time of calculation. The amount deposited in the Rebate Fund pursuant to the previous sentence shall be deposited from amounts withdrawn from the Revenue Account, and to the extent such amounts are not available in the Revenue Account, directly from earnings on the Accounts. The Trustee shall also transfer

amounts on deposit in the Principal Reserve Fund to the Rebate Fund in accordance with the 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 of a Series for which a Rebate Amount is required have been paid in full, one hundred percent (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 to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which shall be retained in the Principal Reserve Fund, 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.

In addition to the other payments required or permitted by the Resolution, amounts in the Principal Reserve Fund shall be used, at the written direction and in the sole discretion 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 2009 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 on and/or principal of the 2009 Bonds;

(2) to reimburse the Credit Facility Provider for advances made under the Credit Facility which were applied to pay the Purchase Price of tendered 2009 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 Purchase Price;

(3) with the written consent of the Mortgagor (so long as the Mortgagor is not in default under the Mortgage, Mortgage Note, Financing Agreement, Regulatory Agreement or the Credit Agreement beyond the expiration of any applicable grace or cure period) 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 in writing, 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.

On each February 1 (or, if such date 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 (rounded down to \$100,000 or the greatest \$5,000 increment in excess 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 2009 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2009 Bonds) on the first Business Day of the next succeeding March.

The Credit Facility Provider shall be entitled as may be permitted by the Resolution 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 2009 Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2009 Bonds). Any amounts so transferred shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and shall be a Recovery of Principal; provided however, that such right of the Credit Facility Provider to direct such transfers may be exercised only at the times, and subject to any conditions, set forth in the Financing Agreement with respect to optional prepayments of the Mortgage Loan by the Mortgagor.

Moneys on deposit in the Principal Reserve Fund shall be invested (i) so long as the Initial Credit Facility is in effect, in Investment Securities described in paragraph (A)(a) or (b) of the definition of "Investment Securities", and (ii) at all other times, in Government Obligations or, to the extent otherwise permitted by the Resolution, (a) other short-term variable rate instruments rated by S&P in a category equivalent to the rating then in effect for the 2009 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 consent to a change in the Principal Reserve Fund deposit schedule. Any amounts so released shall no longer secure the 2009 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 2009 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 shall be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

Issuance of Additional Obligations

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

Accounts and Reports

The Corporation shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Mortgage Loan and all Accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Trustee 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 within forty-five (45) days after the close of such fiscal year, a special report accompanied by an Accountant's Certificate as to the fair presentation of the financial statements contained therein, setting forth in reasonable detail the individual balances and receipts and disbursements for each Account under the Resolution.

The Corporation shall annually, within one hundred twenty (120) days after the close of each fiscal year of the Corporation, file with the Trustee a copy of an annual report as to the operations and accomplishments of the various funds and programs of the Corporation during such fiscal year, and financial statements for such fiscal year, setting forth in reasonable detail: (i) the balance sheet with respect to the Bonds and 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.

Initial Credit Facility; No Disposition of Credit Facility

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

Credit Facility Provider either (1) upon receipt of an Alternate Security, 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.

Supplemental Resolutions

Any modification of or amendment to the provisions of the Resolution and of the rights and obligations of the Corporation and of the owners of the Bonds may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the owners of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the owners of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the owners of at least two-thirds in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; provided, however, that a modification or amendment referred to in (iii) above shall not be permitted unless the Trustee shall have received a Bond Counsel's Opinion to the effect that such modification or amendment does not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds to which the tax covenants apply. If any such modification or amendment will not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee 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 that specified provisions of the Resolution that relate to the 2009 Bonds shall also apply to a Series of Additional Bonds; 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 one hundred percent (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 (provided that the Trustee shall consent thereto); 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 2009 Bonds) as are deemed necessary or desirable by the Corporation, if, not less than thirty (30) days before the effective date of such changes, the Trustee sends notice of the proposed changes to 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 Facility shall be in 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 (3) below constitutes an “Event of Default” and the following event set forth in clause (4) below constitutes an “Event of Termination” with respect to the Bonds: (1) payment of the principal or Redemption Price, if any, of or interest on any Bond (other than Purchased Bonds) when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; (2) payment of the Purchase Price of any 2009 Bond (other than Purchased Bonds) tendered in accordance with the Resolution shall not be made when and as the same shall become due; (3) the Corporation shall fail or refuse to comply with the provisions of the Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Resolution or in any applicable Supplemental Resolution or the Bonds (other than any such default resulting in an Event of Default described in clause (1) or (2) above), and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the owners of not less than five percent (5%) in principal amount of the Outstanding Bonds; or (4) receipt by the Trustee of written notice from the Credit Facility Provider that an “Event of Default” has occurred under the Credit Agreement, together with a written direction from the Credit Facility Provider to the Trustee to exercise the remedy set forth in clause (5) of the following paragraph or the remedy set forth in clause (8) of the following paragraph as provided in such direction.

Remedies

Upon the happening and continuance of an Event of Termination specified in the Resolution, the Trustee shall proceed, in its own name pursuant to the direction of the Credit Facility Provider as described in clause (4) of the preceding paragraph, to protect and enforce the remedies of the Bond owners and the Credit Facility Provider by the remedies set forth in either clause (5) or (8) below; provided, however, that anything in the Resolution to the contrary notwithstanding the Trustee shall

enforce the remedy set forth in 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 (3) of the preceding paragraph, the Trustee may proceed and, upon the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject, in each such case, to the provisions of the Resolution 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 (4) of the preceding paragraph in the case of an Event of Termination by immediately declaring all Bonds, or with respect to an Event of Termination, a portion of the 2009 Bonds in the principal amount specified by the Credit Facility Provider, due and payable whereupon, with respect to any affected 2009 Bonds, such Bonds shall be immediately redeemed, without premium, pursuant to the Resolution, provided that upon the happening and continuance of an Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee shall declare all Bonds due and payable; (6) in the event that all Outstanding Bonds are declared due and payable, by selling the Mortgage Loan (subject to the provisions of the Assignment) and any Investment Securities securing such Bonds; (7) by taking such action with respect to or in connection with the Credit Facility as the Trustee deems necessary to protect the interests of the owners of the 2009 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 of the 2009 Bonds, or if so designated by the Credit Facility Provider, a portion of the 2009 Bonds (on a date specified by the Credit Facility Provider, which date shall not be later than eight (8) days following receipt by the Trustee of such direction).

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (5) or (8) of the preceding paragraph, the owners of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction; and provided, further, that notwithstanding the foregoing, the Credit Facility Provider shall be entitled to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution 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 such owner shall have given to the Trustee written notice of the Event of Default or an Event of Termination or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 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 under the Resolution known to the Trustee within ninety (90) days after actual knowledge by the Trustee of the occurrence thereof. However, except in the case of default in the payment of the principal or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any payment required to be made into the Bond Proceeds Account, the Trustee may withhold such notice if it determines that the withholding of such notice is in the interest of the Bond owners.

Priority of Payments After Event of Default or Event of Termination

In the event that upon the happening and continuance of any Event of Default or an Event of Termination the funds held by the Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of any 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 of priority with respect to Bonds as set forth in the following paragraph and as follows:

(1) Unless the principal of all of such Bonds shall have become or have been declared due and payable, first to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; second, to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any such Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference; and third, to the payment of amounts owed to the Credit Facility Provider under the 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.

(2) If the principal of all such Bonds shall have become or have been declared due and payable, first, to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any

other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds; and second, to pay the Credit Facility Provider amounts owed to it under the Credit Agreement, including reimbursement to the extent it has made payments under the Credit Facility.

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

Rights of the Credit Facility Provider

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

Payments Due on Days Not Business Days

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

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following statements are a brief summary of certain provisions of the Reimbursement Agreement. This summary does not purport to be complete, and reference is made to the Reimbursement Agreement, copies of which are on file with the Trustee, for a full and complete statement of the provisions thereof.

The obligations of the Mortgagor to Freddie Mac to repay advances made by Freddie Mac under the Credit Enhancement Agreement are evidenced by the Reimbursement Agreement. Under the Reimbursement Agreement, the Mortgagor has promised to repay Freddie Mac all sums of money Freddie Mac has advanced to the Trustee under the Initial Credit Facility. The Reimbursement Agreement also provides that the Mortgagor will pay to Freddie Mac the credit enhancement fee, the servicing fee and other fees and expenses as provided therein.

Events of Default

Under the provisions of the Reimbursement Agreement, Freddie Mac may declare an Event of Default if:

- (a) the Mortgagor fails to pay any amounts due under the Reimbursement Agreement, including, without limitation, any fees, costs or expenses;
- (b) the Mortgagor fails to perform its obligations under the Reimbursement Agreement to deliver a Subsequent Hedge (as defined in the Reimbursement Agreement) or to provide the notice or evidence relating to a Subsequent Hedge required by the Reimbursement Agreement;
- (c) the Mortgagor fails to observe or perform any of the covenants, conditions or agreements set forth in the Reimbursement Agreement or in any of the other Owner Documents (as defined in the Reimbursement Agreement) after any applicable grace period;
- (d) an Event of Default occurs under the Reimbursement Mortgage or any of the other Owner Documents referred to in the Reimbursement Agreement;
- (e) any representation or warranty made by or on behalf of the Mortgagor under the Reimbursement Agreement or any of the other Owner Documents or in any certificate delivered by the Mortgagor to Freddie Mac or the Servicer pursuant to the Reimbursement Agreement or any other Owner Documents referred to in the Reimbursement Agreement was inaccurate or incorrect in any material respect when made or deemed made;
- (f) Purchased Bonds have not been remarketed as of the ninetieth day following purchase by the Trustee on behalf of the Mortgagor and the Mortgagor has not reimbursed Freddie Mac for the amount advanced to purchase the Purchased Bonds, together with any fees due and other amounts due to Freddie Mac under the Reimbursement Agreement;
- (g) a period during which the 2009 Bonds bear interest at a Term Rate expires and the Mortgagor has not either (a) received the prior written consent of Freddie Mac to a change in interest mode or the maintenance of the existing mode or (b) delivered an Alternate Security in accordance with the terms of the Bond Documents; or

(h) a default or event of default occurs under the terms of any other indebtedness permitted to be incurred by the Mortgagor (after taking into account any applicable cure period).

Remedies; Waivers

Upon an Event of Default, Freddie Mac may declare all the obligations of the Mortgagor under the Reimbursement Agreement to be immediately due and payable, in which case all such obligations shall become due and payable, without presentment, demand, protest or notice of any kind, including notice of default, notice of intent to accelerate or notice of acceleration. In addition to the foregoing, Freddie Mac may take any other action at law or equity to protect its rights against the Mortgagor in the Project, including foreclosing against the Project subject to the Mortgage. The rights of Freddie Mac include, without limitation, the right to give written notice to the Trustee stating that an Event of Default has occurred and is continuing under the Reimbursement Agreement and directing the Trustee to cause the mandatory tender or redemption of all or a portion of the 2009 Bonds.

Freddie Mac shall have the right, to be exercised in its discretion, to waive any Event of Default under the Reimbursement Agreement. Unless such waiver expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence and not to any other similar event or occurrence which occurs subsequent to the date of such waiver.

The obligations of the Mortgagor under the Reimbursement Agreement will be secured by the Reimbursement Mortgage in favor of Freddie Mac. The Reimbursement Mortgage will be subordinate to the Mortgage. Bondholders will have no rights under and are not third-party beneficiaries under the Reimbursement Mortgage.

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 C – Housing Revenue Bond Program." As of July 31, 2009, the Corporation had bonds outstanding in the aggregate principal amount of approximately \$7,303,206,715. 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 D–Liberty Bond Program," and "Section E–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 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, 2009, one hundred and eighteen (118) 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, 2009:

| | <u>No. of Units</u> | <u>Bonds Issued</u> | <u>Bonds Outstanding</u> | <u>Year of Issue</u> |
|--|-------------------------|---------------------|------------------------------|--------------------------|
| <u>MULTI-FAMILY PROGRAM</u> | | | | |
| <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 rd Street Development | 375 | \$55,820,000 | \$51,900,000 | 1999 |
| Related-West 89 th 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 | \$20,810,000 | 2002 |
| The Foundry | 222 | \$60,400,000 | \$55,300,000 | 2002 |

| | No. of Units | Bonds Issued | Bonds Outstanding | Year of Issue |
|--|-------------------------|---------------------|------------------------------|--------------------------|
| 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 | \$102,300,000 | 2005 |
| Progress of Peoples Developments | 1,008 | \$83,400,000 | \$52,680,000 | 2005 |
| Royal Charter Properties East, Inc. Project | 615 | \$98,775,000 | \$93,250,000 | 2005 |
| The Nicole | 149 | \$65,000,000 | \$63,700,000 | 2005 |
| Rivereast Apartments | 196 | \$56,800,000 | \$56,100,000 | 2006 |
| Seaview Towers | 462 | \$32,000,000 | \$24,305,000 | 2006 |
| 155 West 21st Street Development | 110 | \$52,700,000 | \$52,300,000 | 2007 |
| Ocean Gate Development | 542 | \$48,500,000 | \$47,350,000 | 2007 |
| West 61 st Street Apartments | 211 | \$68,000,000 | \$66,715,000 | 2007 |
| Linden Plaza | 1,527 | \$73,900,000 | \$72,760,000 | 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 th 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 |
| 245 East 124 th Street | 185 | \$40,000,000 | \$40,000,000 | 2008 |
| Aldus Street Apartments | 164 | \$14,200,000 | \$8,100,000 | 2004 |
| Courtlandt Avenue Apartments | 167 | \$15,000,000 | \$7,905,000 | 2004 |
| Hoe Avenue Apartments | 136 | \$11,900,000 | \$6,660,000 | 2004 |
| Louis Nine Boulevard Apartments | 95 | \$9,500,000 | \$7,300,000 | 2004 |
| Nagle Courtyard Apartments | 100 | \$9,000,000 | \$4,200,000 | 2004 |
| Odgen Avenue Apartments | 130 | \$10,500,000 | \$4,760,000 | 2004 |
| Peter Cintron Apartments | 165 | \$14,400,000 | \$7,840,000 | 2004 |
| 33 West Tremont Avenue Apartments | 84 | \$8,450,000 | \$3,490,000 | 2005 |
| 270 East Burnside Avenue Apartments | 114 | \$13,000,000 | \$6,400,000 | 2005 |
| 1904 Vyse Avenue Apartments | 96 | \$9,650,000 | \$4,335,000 | 2005 |
| Highbridge Apartments | 296 | \$32,500,000 | \$13,600,000 | 2005 |
| Morris Avenue Apartments | 210 | \$22,700,000 | \$14,700,000 | 2005 |
| Ogden Avenue Apartments II | 59 | \$5,300,000 | \$2,500,000 | 2005 |
| White Plains Courtyard Apartments | 100 | \$9,900,000 | \$4,900,000 | 2005 |
| Bathgate Avenue Apartments | 89 | \$12,500,000 | \$4,435,000 | 2006 |

| | <u>No. of Units</u> | <u>Bonds Issued</u> | <u>Bonds Outstanding</u> | <u>Year of Issue</u> |
|---|--------------------------------|----------------------------|-------------------------------------|---------------------------------|
| Reverend Ruben Diaz Gardens Apartments | 111 | \$13,300,000 | \$6,400,000 | 2006 |
| Villa Avenue Apartments | 111 | \$13,700,000 | \$5,990,000 | 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 |
| Brookhaven Apartments | 95 | \$9,100,000 | \$8,800,000 | 2004 |
| East 165 th Street Development | 136 | \$13,800,000 | \$7,665,000 | 2004 |
| Manhattan Court Development | 123 | \$17,500,000 | \$17,500,000 | 2004 |
| Marseilles Apartments | 135 | \$13,625,000 | \$12,825,000 | 2004 |
| Parkview Apartments | 110 | \$12,605,000 | \$5,935,000 | 2004 |
| Thessalonica Court Apartments | 191 | \$19,500,000 | \$18,800,000 | 2004 |
| 15 East Clarke Place Apartments | 102 | \$11,600,000 | \$5,430,000 | 2005 |
| 1090 Franklin Avenue Apartments | 60 | \$6,200,000 | \$2,320,000 | 2005 |
| 2007 La Fontaine Avenue Apartments | 88 | \$8,500,000 | \$3,825,000 | 2005 |
| Grace Towers Apartments | 168 | \$11,300,000 | \$11,100,000 | 2005 |
| La Casa del Sol | 114 | \$12,800,000 | \$5,050,000 | 2005 |
| Parkview II Apartments | 88 | \$10,900,000 | \$4,255,000 | 2005 |
| The Schermerhorn Development | 217 | \$30,000,000 | \$6,420,000 | 2005 |
| Urban Horizons II Development | 128 | \$19,600,000 | \$19,600,000 | 2005 |
| 500 East 165 th Street Apartments | 128 | \$17,810,000 | \$17,810,000 | 2006 |
| 1405 Fifth Avenue Apartments | 80 | \$14,190,000 | \$14,190,000 | 2006 |
| Beacon Mews Development | 125 | \$23,500,000 | \$23,500,000 | 2006 |
| Granite Terrace Apartments | 77 | \$9,300,000 | \$4,060,000 | 2006 |
| Granville Payne Apartments | 103 | \$12,250,000 | \$5,560,000 | 2006 |
| Intervale Gardens Apartments | 66 | \$8,100,000 | \$3,115,000 | 2006 |
| Markham Gardens Apartments | 240 | \$25,000,000 | \$25,000,000 | 2006 |
| Pitt Street Residence | 263 | \$31,000,000 | \$31,000,000 | 2006 |
| Spring Creek Apartments I and II | 582 | \$24,000,000 | \$24,000,000 | 2006 |
| Target V Apartments | 83 | \$7,200,000 | \$7,100,000 | 2006 |
| 550 East 170 th 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 |

| | No. of Units | Bonds Issued | Bonds Outstanding | Year of Issue |
|---|-------------------------|---------------------|------------------------------|--------------------------|
| Bruckner by the Bridge | 419 | \$68,500,000 | \$68,500,000 | 2008 |
| Hewitt House Apartments | 83 | \$11,000,000 | \$11,000,000 | 2008 |
| Sons of Italy Apartments | 106 | \$7,670,000 | \$7,670,000 | 2009 |
| Beekman Tower | N/A | \$238,050,000 | \$238,050,000 | 2009 |
| <i>Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced</i> | | | | |
| Chelsea Centro | 356 | \$86,900,000 | \$76,600,000 | 2002 |
| <i>Residential Revenue Bonds – Letter of Credit Enhanced</i> | | | | |
| Montefiore Medical Center Project | 116 | \$8,400,000 | \$7,400,000 | 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 | \$9,965,000 | 1994 |
| Maple Plaza Cooperative | 154 | \$16,750,000 | \$14,250,000 | 1996 |
| <i>Multi-Family Mortgage Revenue Bonds –Rental Project; REMIC-Insured Mortgage Loan</i> | | | | |
| Barclay Avenue Development | 66 | \$5,620,000 | \$4,940,000 | 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 |
| <i>Multi-Family Secured Mortgage Revenue Bonds – Cooperative Housing</i> | | | | |
| <u>MILITARY HOUSING REVENUE BOND PROGRAM</u> Fort Hamilton Housing | 228 | \$47,545,000 | \$47,165,000 | 2004 |
| <u>HOUSING REVENUE BOND PROGRAM</u> | | | | |
| <i>Multi-Family Housing Revenue Bonds¹</i> | 82,051 | \$3,926,670,000 | \$2,700,300,000 | 1993-2009 |
| <u>LIBERTY BOND PROGRAM</u> | | | | |
| <i>Multi-Family Mortgage Revenue Bonds</i> | | | | |
| 90 Washington Street ² | 398 | \$74,800,000 | \$74,800,000 | 2005 |
| The Crest ³ | 476 | \$143,800,000 | \$143,200,000 | 2005 |

¹ Aggregate information for all one hundred and eighteen (118) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1993 through 2009 as described in Section B above.

| | No. of Units | Bonds Issued | Bonds Outstanding | Year of Issue |
|--|-------------------------|-------------------------------|-------------------------------|--------------------------|
| 2 Gold Street ² | 650 | \$217,000,000 | \$214,600,000 | 2006 |
| 20 Exchange Place ³ | 366 | \$210,000,000 | \$210,000,000 | 2006 |
| 90 West Street ² | 410 | \$112,000,000 | \$112,000,000 | 2006 |
| 201 Pearl Street Development ² | 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> | 964 | \$79,998,100 | \$6,107,363 | 1977 |
| <i>FHA-Insured Mortgage Loans</i> | 3,182 | \$299,886,700 | \$34,044,352 | 1978 |
| CAPITAL FUND REVENUE BOND PROGRAM | | | | |
| <i>New York City Housing Authority Program</i> | N/A | \$281,610,000 | \$246,615,000 | 2005 |
| TOTAL | <u>111,925</u> | <u>\$9,203,804,800</u> | <u>\$7,306,206,715</u> | |

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 C—Housing Revenue Bond Program” in PART I—BOND PROGRAMS 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.

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, all of which have been repaid.

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

IV. LOAN SERVICING. The Corporation services the majority of its own loans and also services loans for others. Such loan servicing activities, which are described below, relate to over 1,444 mortgage loans with an approximate aggregate face amount of \$11.6 billion.

A. *Portfolio Servicing.* The Corporation acts as loan servicer in connection with the permanent mortgage loans made to approximately 624 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate face amount of \$6.5 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, 2009, the Corporation was servicing construction and permanent loans made to approximately 600 developments in the approximate aggregate face amount of \$2.2 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 220 mortgage loans made under the Corporation’s various bond, mortgage loan and other loan programs in the approximate aggregate face amount of \$2.9 billion.

[This page intentionally left blank]

DESCRIPTION OF THE SUBSIDY PROGRAMS

Section 236 Program

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

Decoupling Program. In 1999, Congress passed the “Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act” (the “1999 Act”). The 1999 Act permits mortgagors of Section 236 projects to retain the Section 236 subsidy notwithstanding the refinancing of the existing Section 236-assisted mortgage. HUD generally refers to its program implementing this provision of the 1999 Act as its Section 236 decoupling program (the “Decoupling Program”).

The original Section 236 Contracts among the Mortgagor, the Corporation and HUD are scheduled to expire in March 1, 2022. HUD has approved the Mortgagor’s proposal to continue IRP Payments under the Decoupling Program after the Mortgagor acquires the Project and the existing mortgage is prepaid. It is anticipated that the Mortgagor will receive IRP Payments under a new Interest Reduction Payments Contract among the Mortgagor, HUD, the Corporation and Freddie Mac (the “New Section 236 Contract”) in the aggregate annual amount of \$2,322,480.36. The right, title and interest of the Corporation, as mortgagee, in and to the New Section 236 Contract will be assigned to the Trustee and Freddie Mac, as their interests may appear.

Termination of IRP Payments. The New Section 236 Contract provides that HUD shall terminate the IRP Payments thereunder if (a) the Mortgage Loan is extinguished; (b) the Project ceases to be owned by an eligible owner under Section 236 or Freddie Mac; (c) the Trustee, Freddie Mac or its permitted assignees is no longer mortgagee of record and HUD has not approved the Corporation’s successor as mortgagee of record; or (d) the Corporation does not meet its obligation to monitor the operation and condition of the Project pursuant to Section 236 or does not certify, in a manner satisfactory to HUD, that it is satisfying this requirement. In addition, the New Section 236 Contract provides that HUD has the discretion to terminate IRP Payments (x) upon default by the Mortgagor or the Corporation under any provision thereof or (y) if an action of foreclosure is instituted by the Corporation, unless, the Corporation notifies HUD in advance of its intention to institute such foreclosure action and submits a plan acceptable to HUD, providing for the continued eligibility of the Project for receiving the benefits of Section 236. If IRP Payments are terminated, the Secretary may reinstate them at his or her discretion pursuant to such additional requirements as the Secretary may prescribe. The New Section 236 Contract may be terminated at the option of, and upon written notice from, the Secretary after the expiration of one year from the date of the termination of IRP Payments, unless such payments have been reinstated. **In the event HUD were to terminate IRP Payments in respect of the Project, such terminated IRP Payments would not be available to pay debt service on the Mortgage Loan, which could result in a default on the Mortgage Loan.**

Limitations on Transfer of Project and Assignment of Mortgage Loan or Contract. Under the New Section 236 Contract the Mortgagor will covenant to transfer the Project only to an eligible mortgagor approved by the Secretary, the Corporation and Freddie Mac. The New Section 236 Contract provides that the Corporation will not, without the prior written approval of HUD, assign the Mortgage Loan, except that it may assign or pledge the Mortgage Loan and the New Section 236 Contract, and the proceeds of payments under such New Section 236 Contract and its rights thereunder to the Trustee and Freddie Mac, so long as the Trustee or Freddie Mac remains the record holder of the Mortgage Loan.

Rents. Pursuant to the New Section 236 Contract, the Mortgagor is permitted to charge (i) a basic or subsidized rental charge for each subsidized dwelling unit in the Project (the “basic rent”), determined on the basis of the actual operating costs of the Project (including the permitted return on equity), assuming the payment of principal and interest on a mortgage note bearing interest at the rate of 1% per annum for the amortization period stated therein, and (ii) a fair market rental charge for each such unit, determined on the basis of the actual operating costs of the project (including the permitted return on equity), assuming payment of principal and interest at the mortgage rate stated in the Mortgage Note (the “market rent”). The rent charged for each subsidized unit (the “tenant rent”) is generally the greater of the basic rent or thirty per centum (30%) of the tenant’s adjusted monthly income, but in no event may the Mortgagor charge an amount in excess of the market rent (not including permitted surcharges). Under the New Section 236 Contract, the Corporation and HUD must approve all rent increases.

220 units of the Project are covered by two project-based Section 8 contracts with HUD which currently expire on December 31, 2009 and January 31, 2010. HUD has approved new project-based Section 8 contracts, each for a twenty year term at the approved rent levels subject to annual Congressional appropriations.

For the units not covered by the Section 8 Project based contracts, it is expected that the initial rents approved under the New Section 236 Contract will go into effect sixty (60) days following the prepayment of the existing mortgage. Shortly after the prepayment, at the time that the initial rents approved under the New Section 236 Contract go into effect, the New York City Department of Housing Preservation and Development (“HPD”) is expected to issue Section 8 enhanced vouchers. (See “Section 8 Tenant Based Voucher Programs - Enhanced Vouchers”).

Excess Income. The New Section 236 Contract provides that, except to the extent that HUD has specifically authorized the Mortgagor to retain such amounts and use them for any project purposes, the Mortgagor shall pay monthly to HUD all rental charges collected in excess of the basic rental charges for all occupied units (“Excess Income Payments”). Under current HUD policy, such project purposes include, but are not limited to, project operating shortfalls, including repair costs; increasing deposits to the reserve fund for replacements; payment of service coordinators; enhanced supportive services for residents; and neighborhood networks (i.e., computer facilities) located at the project for project residents. No assurance can be given as to the impact of a revision in the law or HUD’s policies regarding the ability of an owner to retain Excess Income Payments on the ability of the Mortgagor to cover operating expenses and debt service on the Mortgage Loan. To the extent there is excess income in the future, the Mortgagor must retain and disburse such income consistent with HUD’s policies and procedures.

Payment Procedure. Each month the Corporation, as servicer (the “Servicer”), shall execute and submit to HUD a completed Certification and Application for IRP Payments directing that the payment under the New Section 236 Contract for the immediately succeeding month be paid directly to the Servicer. On the first day of each month, commencing on January 1, 2010 and continuing to and including March 1, 2017, the Servicer will be entitled to receive IRP Payments. The Servicer will send a portion of such payments received to Freddie Mac in order to reimburse Freddie Mac for advances made

to the Trustee, under the Credit Enhancement Agreement, to pay principal and interest on a portion of the 2009 Bonds.

Role of the Corporation. The Corporation has agreed to act as the “public agency” under the New Section 236 Contract, and as such will monitor compliance by the Mortgagor with certain covenants under the New Section 236 Contract and, along with HUD, approve any changes in the rent levels for the Project.

Certain Mortgagor Covenants. The Mortgagor will covenant in the New Section 236 Contract to limit admission to the subsidized dwelling units in the Project to those families whose incomes do not exceed the lower of the applicable limits approved by the Corporation or the Secretary. The New Section 236 Contract contains other covenants relating to compliance with applicable civil rights laws prohibiting discrimination in housing, the maintenance of information and records concerning tenants and tenant income in a form required under HUD regulations, the availability for inspection of such information and records, prohibitions against denying occupancy due to number of children in the family and the number of subsidized units which may be rented to any one tenant at any one time, and other matters. The Mortgagor has covenanted to maintain habitability of the Project units. Under the terms of the New Section 236 Contract, HUD may adjust subsidy payments in the event a subsidized unit is destroyed or otherwise rendered not habitable for any reason unless such unit is restored or rehabilitated within a reasonable time.

Use Agreement. HUD and the Mortgagor will also enter into a Section 236(e)(2) Use Agreement pursuant to which the Mortgagor will covenant to maintain rent restrictions applicable to the Project under the Section 236 Decoupling Program until March 1, 2022.

Set-Off Rights of the United States. A portion of the payments under the New Section 236 Contract duly and properly paid and actually received by or on behalf of the Corporation have been pledged to the Trustee as part of the security for the 2009 Bonds, and the Corporation is obligated to deliver to the Trustee all such payments upon receipt. Under Federal law, the United States Government has the right to set-off liabilities to the United States against the amounts payable under the New Section 236 Contract. The Corporation does not believe it has any liabilities to the United States which would result in any set-off against such payments for the Project. The set-off right of the United States described above applies only to payments under a Section 236 Contract which have not actually been paid by HUD. Once payments under a Section 236 Contract are received by the Section 236 mortgagee and delivered to a trustee, they cannot be subjected to repayment to the United States by such trustee. However, in the case of excessive payments under a Section 236 Contract, the Section 236 mortgagee would remain obligated to refund to the Secretary the amount which was overpaid, and such liabilities could be offset against future payments under such Section 236 Contract.

Section 8 Tenant Based Voucher Program - Enhanced Vouchers

Pursuant to Section 8 of the United States Housing Act of 1937, as amended (“Section 8”), HUD provides a broad program of tenant-based subsidies administered primarily by state and local housing agencies acting as public housing agencies (PHAs). Under the tenant - based housing voucher program (often called “housing choice vouchers”), eligible families, generally those whose incomes do not exceed 50% of area median income, receive a subsidy equal to the difference between 30% of the eligible family’s “adjusted income” and a PHA’s payment standard for rent levels for the applicable area, each as calculated according to HUD rules. Vouchers are issued to the family rather than being tied to a particular housing project as is the case with project-based Section 8 contracts.

HUD offers a variant of its tenant-based housing voucher program for “preservation projects,” which include projects with subsidized mortgages insured or assisted under Section 236, that are being prepaid. This program enables tenants to receive a voucher (“Enhanced Voucher”) that reflects a payment standard set at the rent levels that the administering agency determines does not exceed the market rent for comparable, unassisted projects in the area. Under the Decoupling Program, the market-comparable rent level typically is deemed to be the “basic” rent at the project. These approved rents are often higher than the payment standard that would normally apply to housing choice vouchers, but may be used only at the particular project with respect to which the Enhanced Voucher was issued. If the tenant moves from that project, the voucher converts to a housing choice voucher and the amount of the subsidy is changed to reflect the payment standard for the housing choice voucher program in the area.

Tenants who are in occupancy at the time of the decoupling or other prepayment of a mortgage, and who have incomes (in the case of projects located in low-vacancy areas, including New York) at or below 95 percent of the median area income, are generally eligible to receive Enhanced Vouchers. As these tenants vacate their apartments, they take their Enhanced Vouchers with them, and new tenants are not eligible to receive Enhanced Vouchers (although new tenants may have housing choice vouchers). Enhanced Vouchers call for a minimum payment from the family equal to the greater of: (i) the rent the family is paying at the time the HUD-assisted mortgage is prepaid, and (ii) 30% of the family’s adjusted income as determined by HUD; with provision for adjustment if the family’s income declines to a significant extent.

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

PROPOSED FORM OF OPINION OF BOND COUNSEL TO THE CORPORATION

Upon delivery of the 2009 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 \$25,500,000 Multi-Family Rental Housing Revenue Bonds (Lexington Courts), 2009 Series A (the “2009 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 2009 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Rental Housing Revenue Bonds (Lexington Courts) Bond Resolution of the Corporation, adopted December 3, 2009 (herein called the “Resolution”). The 2009 Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution).

The 2009 Bonds are dated, mature, are payable, bear interest and are subject to redemption and tender as provided in the Resolution.

The Corporation is authorized to issue other Bonds (as defined in the Resolution), in addition to the 2009 Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2009 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

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

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

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State 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 2009 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 2009 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 2009 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 2009 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 2009 Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2009 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 2009 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 2009 Bond for any period during which such 2009 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 2009 Bonds or a "related person," and (ii) interest on the 2009 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 2009 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 2009 Bonds from gross income under Section 103 of the Code. In addition, under existing statutes, interest on the 2009 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 2009 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 2009 Bonds, or the exemption of interest on the 2009 Bonds from personal income taxes 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 2009 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 2009 Bond and in our opinion the form of said Bond and its execution are regular and proper.

Very truly yours,

[This page intentionally left blank]

