SUPPLEMENT DATED MARCH 12, 2008 TO
THE REMARKETING CIRCULAR DATED MARCH 6, 2008

Relating to

$95,450,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Rental Housing Revenue Bonds
(Royal Charter Properties - East, Inc. Project),
$89,200,000 2005 Series A
$6,250,000 2005 Series B (Federally Taxable)

This Supplement dated March 12, 2008 is supplemental to the Remarketing Circular dated March 6, 2008 (the "Remarketing Circular") relating to the above-captioned Bonds (the "Bonds").

The Remarketing Circular is hereby amended as follows:

The CUSIP numbers of the New York City Housing Development Corporation Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series A and the New York City Housing Development Corporation Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series B (Federally Taxable) shown on the cover of the Remarketing Circular are amended to be 64970HDM3 and 64970HDN1, respectively.

Except as expressly supplemented or amended hereby, the terms of the reoffering of the Bonds set forth in the Remarketing Circular remain in full force and effect.

NOT A NEW ISSUE

Federal Tax Exemption

2005 Series A Bonds: On March 30, 2005, Bond Counsel to the Corporation rendered its opinion to the effect that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2005 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986 (the "Code"), and (ii) interest on the 2005 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel to the Corporation, the change in the method of determining the interest rate on the 2005 Series A Bonds, in and of itself, will not adversely affect the exclusion of interest from gross income for Federal income tax purposes pursuant to Section 103 of the Code on any 2005 Series A Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code.

2005 Series B Bonds: On March 30, 2005, Bond Counsel to the Corporation rendered its opinion to the effect that interest on the 2005 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

State Tax Exemption

On March 30, 2005, Bond Counsel to the Corporation rendered its opinion to the effect that, under existing statutes, interest on the 2005 Series A Bonds and the 2005 Series B 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.

$95,450,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties - East, Inc. Project),
$89,200,000 2005 Series A (CUSIP*: 64970HBD5)
$6,250,000 2005 Series B (Federally Taxable) (CUSIP*: 64970HBE3)

Date of Issuance: March 30, 2005 **Due (2005 Series A): April 15, 2035**
Date of Remarketing: March 17, 2008 **Price 100%** **Due (2005 Series B): October 15, 2011**

The Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series A (the "2005 Series A Bonds") and the Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series B (the "2005 Series B Bonds"; and, together with the 2005 Series A Bonds, the "2005 Bonds") were issued on March 30, 2005 as auction rate obligations and are subject to tender and remarketing on March 17, 2008.

The 2005 Bonds relate to a project located between 70th and 71st Streets on the easterly side of York Avenue in the Borough of Manhattan, and County of New York, City and State of New York (the "Project"). The Project is owned by Royal Charter Properties - East, Inc., a New York not-for-profit corporation (the "Mortgagor"), and was originally financed with bonds issued by the New York City Housing Development Corporation. The 2005 Bonds were issued to finance a Mortgage Loan to the Mortgagor in order to refinance the Project and to pay certain costs related thereto.

The 2005 Bonds will bear interest from March 17, 2008 to but not including the Wednesday following said date at a rate per annum determined by the Remarketing Agent. Thereafter, each Series of the 2005 Bonds will bear interest at the Weekly Rate, as determined from time to time by the Remarketing Agent (as defined herein), payable on the fifteenth day of each month, unless the method for determining the interest rate on the 2005 Bonds is changed to a different method or the interest rate is converted to a fixed rate to maturity. The interest rate established with respect to each Series of the 2005 Bonds during any Weekly Rate Period shall be determined separately for each Series and need not be the same interest rate. During the period that the 2005 Bonds of a Series bear interest at the Weekly Rate, any 2005 Bond of such Series shall be purchased upon demand by the owner thereof, at a purchase price equal to 100% of the principal amount of such 2005 Bond plus accrued and unpaid interest thereon to the date of purchase, on any Business Day, upon at least seven (7) days' notice and delivery thereof to The Bank of New York, located in New York, New York, as the Tender Agent as described herein. See "DESCRIPTION OF THE 2005 BONDS."

As a result of the change in the method of determining the interest rate for the 2005 Bonds, the 2005 Bonds will be subject to mandatory tender for purchase on March 17, 2008 (the "Purchase Date") at a purchase price of 100% of the principal amount thereof. In the case of a failure to remarket the 2005 Bonds or satisfy any other condition to the conversion of the interest rate to the Weekly Rate, the new interest mode shall not take effect, the 2005 Bonds will not be subject to mandatory tender and will be returned to their owners and the ARS Rate for the next Auction Period will be the Maximum ARS Rate and the Auction Period will be a seven-day Auction Period.

Payment of principal of and interest on the 2005 Bonds is secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which the 2005 Bonds were issued, all as described herein. Payment of principal and interest on the 2005 Bonds will be secured, to the extent described herein, by certain revenues and assets pledged under the Resolution pursuant to which the 2005 Bonds are being issued, all as described herein. The principal of and interest on each Series of the 2005 Bonds is payable from funds advanced under a direct-pay credit enhancement instrument with respect to the 2005 Series A Bonds (the "2005 Series A Credit Enhancement Instrument") and with respect to the 2005 Series B Bonds (the "2005 Series B Credit Enhancement Instrument"; and, together with the 2005 Series A Credit Enhancement Instrument, the "Credit Enhancement Instrument") issued by

The 2005 Series A Credit Enhancement Instrument will terminate on April 20, 2035, unless earlier terminated, and the 2005 Series B Credit Enhancement Instrument will terminate on October 20, 2011, unless earlier terminated. However, the right of the Trustee to draw on the Credit Enhancement Instrument to pay the Purchase Price of the 2005 Bonds optionally tendered to the Tender Agent and not remarketed will expire on March 17, 2018, unless earlier terminated or automatically extended by one calendar year on each March 17, unless otherwise specified in writing by Fannie Mae to the Trustee. Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Instrument are absolute, unconditional and irrevocable.

The 2005 Bonds are subject to optional and mandatory redemption at the times and in the events set forth in the Resolution and described herein.

The 2005 Bonds were issued in book-entry form only and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on and principal of the 2005 Bonds will be payable by the Trustee 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 2005 Bonds will not receive physical delivery of bond certificates. The 2005 Bonds are not transferable or exchangeable, except for transfer to another nominee of DTC or otherwise as described herein. See "DESCRIPTION OF THE 2005 BONDS—Book-Entry Only System." The Bank of New York, located in New York, New York, is the Trustee with respect to the 2005 Bonds.

This Remarketing Circular in general describes the 2005 Bonds only while the 2005 Bonds bear interest at the Weekly Rate.

The 2005 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 2005 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 2005 Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 2005 BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE 2005 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE 2005 BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

In connection with the change in the method of determining the interest rate for the 2005 Bonds, certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation. Certain legal matters related to the 2005 Bonds will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Arent Fox LLP, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters related to the 2005 Bonds will be passed upon for the Remarketing Agent by its Counsel, Winston & Strawn LLP, New York, New York. It is expected that the 2005 Bonds will be available for delivery in New York, New York upon remarketing on March 17, 2008.

Goldman, Sachs & Co.
Remarketing Agent

Dated: March 6, 2008

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* See footnote on inside cover page.

This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2005 Bonds to any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the New York City Housing Development Corporation or the Remarketing Agent to give any information or to make any representations other than as contained in this Remarketing Circular. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the New York City Housing Development Corporation, Fannie Mae, the Mortgagor (in the case of information contained herein relating to the Mortgagor, the Mortgage Loan and 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 Remarketing Circular nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the New York City Housing Development Corporation, Fannie Mae or the Mortgagor, since the date hereof.

Fannie Mae has not provided or approved any information in this Remarketing Circular except with respect to the description under the heading "FANNIE MAE," takes no responsibility for any other information contained in this Remarketing Circular, and makes no representation as to the contents of this Remarketing Circular. Without limiting the foregoing, Fannie Mae makes no representation as to the suitability of the 2005 Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the 2005 Bonds is limited to delivering the Credit Enhancement Instrument described herein to the Trustee.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2005 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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[*] Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bond owners only at the time of issuance of the 2005 Bonds and the Corporation does not make any representation with respect to such numbers nor does it 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 2005 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 2005 Bonds.

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$95,450,000
NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

Multi-Family Rental Housing Revenue Bonds
(Royal Charter Properties-East, Inc. Project),
$89,200,000 2005 Series A
$6,250,000 2005 Series B (Federally Taxable)

This Remarketing Circular (including the cover page and appendices) provides certain information concerning the New York City Housing Development Corporation (the "Corporation") in connection with the remarketing of $89,200,000 aggregate principal amount of Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series A (the "2005 Series A Bonds") and $6,250,000 aggregate principal amount of Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties - East, Inc. Project), 2005 Series B (the "2005 Series B Bonds") (together with the 2005 Series A Bonds, the "2005 Bonds"). The 2005 Bonds were issued by the Corporation on March 30, 2005 as auction rate obligations and are subject to tender and remarketing on March 17, 2008. All of the originally issued 2005 Series A Bonds remain outstanding. The 2005 Series B Bonds were originally issued in the principal amount of $9,575,000. Prior to the date hereof, the Corporation redeemed $3,325,000 of the 2005 Series B Bonds, resulting in an outstanding principal amount of $6,250,000.

The 2005 Bonds were 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 (Royal Charter Properties-East, Inc. Project) Bond Resolution" adopted by the Members of the Corporation on March 15, 2005. Such resolution, as amended and supplemented from time to time, is herein referred to as the "Resolution." Pursuant to the Resolution, bonds issued thereunder are equally and ratably secured by the pledges and covenants contained therein and all such bonds, including the 2005 Bonds, are herein referred to as the "Bonds." The Bank of New York located in New York, New York, acts as trustee for the 2005 Bonds (with its successors, the "Trustee"). Certain defined terms used herein are set forth in Appendix A hereto.

INTRODUCTION

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

The 2005 Bonds relate to a multi-family rental housing facility located between 70th and 71st Streets on the easterly side of York Avenue in the Borough of Manhattan, County of New York, City and State of New York (the "Project" or "Helmsley Tower") which was originally financed with bonds of the Corporation. The Project is owned by Royal Charter Properties - East, Inc., a New York not-for-profit corporation (the "Mortgagor"). See "THE PROJECT AND THE MORTGAGOR." The 2005 Bonds were issued to finance a mortgage loan (the "Mortgage Loan") to the Mortgagor to refinance the Project and to pay certain costs related thereto.

Concurrently with, and as a condition precedent to, the issuance of the 2005 Bonds, the Corporation caused to be delivered to the Trustee an irrevocable direct-pay credit enhancement instrument for the 2005 Series A Bonds (the "2005 Series A Credit Enhancement Instrument") and a separate irrevocable, direct-pay credit enhancement instrument for the 2005 Series B Bonds (the "2005 Series B Credit Enhancement Instrument"; and, together with the 2005 Series A Credit Enhancement Instrument, the "Credit Enhancement Instrument"). The Credit Enhancement Instrument will be amended and restated on March 17, 2008. Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) the principal of the 2005 Bonds when due by reason of acceleration, redemption, defeasance or stated maturity and (ii) up to 35 days' interest thereon

(computed at the Maximum Rate) to pay the interest on the 2005 Bonds when due on or prior to their stated maturity date. Fannie Mae will also advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the 2005 Bonds and interest thereon (computed at the Maximum Rate) for up to 35 days in order to pay the Purchase Price of 2005 Bonds tendered and not remarketed. The 2005 Series A Credit Enhancement Instrument will terminate on April 20, 2035, unless earlier terminated, and the 2005 Series B Credit Enhancement Instrument will terminate on October 20, 2011, unless earlier terminated. However, the right of the Trustee to draw on each Credit Enhancement Instrument to pay the Purchase Price of the 2005 Bonds optionally tendered to the Tender Agent and not remarketed will expire on March 17, 2018, unless earlier terminated or automatically extended by one calendar year on each March 17, unless otherwise specified in writing by Fannie Mae to the Trustee. The Credit Enhancement Instrument constitutes a "Credit Facility" and the "Initial Credit Facility" under the Resolution and Fannie Mae constitutes a "Credit Facility Provider" and the "Initial Credit Facility Provider" under the Resolution.

The Mortgage Loan is evidenced by a mortgage note (as the same may be amended and supplemented, the "Mortgage Note") and secured by a first priority Multifamily Mortgage, Assignment of Rents and Security Agreement encumbering the Project (as the same may be amended and supplemented, the "Helmsley Mortgage") and a third priority Multifamily Mortgage, Assignment of Rents and Security Agreement (as the same may be amended and supplemented, the "Payson House Mortgage"; and, together with the Helmsley Mortgage, the "Mortgages") encumbering a 35-story, 393-unit staff housing facility for employees of The New York and Presbyterian Hospital (the "Hospital") and certain of its not-for-profit affiliates, located at 435 East 70th Street between First Avenue and York Avenue in New York City ("Payson House"; and, together with the Helmsley Tower, the "Mortgaged Property"). The Mortgage Note and Mortgages have been assigned by the Corporation to the Trustee and Fannie Mae, as their interests may appear, subject to the reservation by the Corporation of certain rights. The Trustee has assigned the mortgage rights assigned to it to Fannie Mae but has retained the right to receive payments relating to the Principal Reserve Fund deposits subject to Fannie Mae's right to direct the Trustee to assign its entire interest in the Mortgage Loan to Fannie Mae. See "SECURITY FOR THE BONDS."

The 2005 Bonds are special obligations of the Corporation payable solely from payments under the Mortgage Loan and other Revenues pledged therefor under the Resolution, including any investment earnings thereon, all as provided in accordance with the terms of the Resolution. In addition, the 2005 Bonds are payable from advances under the Credit Enhancement Instrument or any Alternate Security. See "SECURITY FOR THE BONDS."

The Mortgagor entered into a Master Credit Facility and Reimbursement Agreement, dated as of March 30, 2005, which was amended by Amendment No. 1 to Master Credit Facility and Reimbursement Agreement, dated as of November 16, 2006 (the "Reimbursement Agreement"), with Fannie Mae and Wachovia Multifamily Capital, Inc. ("Wachovia"), successor by merger to American Property Financing, Inc. Pursuant to the Reimbursement Agreement (i) Wachovia has established a line of credit to originate conventional loans made to the Mortgagor; (ii) Fannie Mae has agreed to purchase such conventional loans from Wachovia; and (iii) Fannie Mae has agreed to provide credit enhancement in favor of the Mortgagor for bond-financed loans (collectively, the "Master Credit Facility"). The aggregate principal amount of borrowing capacity under the Master Credit Facility is currently $243,665,000, which amount represents the combined valuations assigned by Fannie Mae to each of the properties comprising the collateral pool under the Master Credit Facility. Upon remarketing of the 2005 Bonds, the only properties comprising the collateral pool are Helmsley Tower and Payson House, for each of which the Mortgagor has granted a second priority mortgage of its interests to Fannie Mae. In addition, the Mortgagor has granted a third priority mortgage on Helmsley Tower to Fannie Mae, and the Trustee, Fannie Mae and the Dormitory Authority of the State of New York ("DASNY") have agreed that if at any time in the future, the Mortgagor grants an additional mortgage on Helmsley Tower to Fannie Mae, whether as security for the Retained Bond Proceeds Amount (defined below) or otherwise, such mortgage shall have priority over the mortgage on Helmsley Tower running to the DASNY as described in the next paragraph. Under the terms of the Reimbursement Agreement, the borrowing capacity under the Master Credit Facility may be increased to a principal amount not to exceed $400,000,000.

As of the date of this Remarketing Circular, no conventional loans have been originated under the Master Credit Facility. The Credit Enhancement Instruments securing the 2005 Bonds were the first and second bond credit enhancements issued pursuant to the Master Credit Facility. The third and fourth bond credit enhancements were issued by Fannie Mae on November 16, 2006 in connection with DASNY's issuance of its $171,380,000 aggregate

principal amount of Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the "DASNY 2006A Bonds") and Series 2006B (the "DASNY 2006B Bonds"; and, together with the DASNY 2006A Bonds, the "DASNY Bonds"), the proceeds of which were loaned to the Mortgagor to finance a mortgage loan (the "DASNY Mortgage Loan"). The DASNY Bonds are currently outstanding in the aggregate principal amount of $171,380,000. To secure its loan from DASNY, the Mortgagor granted a first priority mortgage to DASNY of its interests in Payson House (the "DASNY Payson House Mortgage") and a fourth priority mortgage to DASNY of its interest in Helmsley Tower (the "DASNY Helmsley Mortgage"; and, together with the DASNY Payson House Mortgage, the "DASNY Mortgages"), which DASNY Mortgages were assigned to The Bank of New York, as trustee for the DASNY Bonds (the "DASNY Trustee") and to Fannie Mae, as their interests may appear. The DASNY Trustee assigned the mortgage rights assigned to it by DASNY to Fannie Mae. At the time of issuance of the DASNY Bonds, the Mortgagor also granted a third priority mortgage of its interests in Payson House to the Corporation as additional security for the Mortgage Loan, which mortgage was assigned to the Trustee and Fannie Mae, as their interests may appear. On the date of issuance of the DASNY Bonds, the Corporation, DASNY, the Trustee and the DASNY Trustee entered into an Intercreditor Agreement (the "Intercreditor Agreement") with The Bank of New York, as trustee thereunder (the "Intercreditor Trustee") to address the rights of the parties thereunder in the event that Fannie Mae has failed to honor its payment obligations with respect to the 2005 Bonds and/or the DASNY Bonds. The Intercreditor Agreement delineates the rights of the parties to enforce remedies under the Mortgages and the DASNY Mortgages, respectively, and provides for the allocation of any proceeds of a foreclosure of any of the Mortgages or the DASNY Mortgages and/or the proceeds of any insurance claim or condemnation proceedings, such share to be determined on a pro rata basis by the proportion of the principal amount of the 2005 Bonds and the DASNY Bonds then outstanding. See "SECURITY FOR THE BONDS – The Intercreditor Agreement."

Because the combined bond credit enhancement commitments of Fannie Mae with respect to the 2005 Bonds and the DASNY Bonds exceeded the borrowing capacity under the Master Credit Facility at the time of issuance of the DASNY Bonds, Fannie Mae required, and the Mortgagor agreed, that as a condition precedent to the disbursement of the last $22,745,000 of proceeds of the DASNY 2006A Bonds and the last $3,635,000 of proceeds of the DASNY 2006B Bonds (collectively, the "Retained Bond Proceeds Amount"), if there then exists a deficiency in the borrowing capacity under the Master Credit Facility, the Mortgagor must provide additional collateral in the form of cash, a letter of credit, a guaranty or a mortgage on other real property (the "Retained Bond Proceeds Additional Collateral"), in amounts satisfying the requirements of the Reimbursement Agreement. After providing such Retained Bond Proceeds Additional Collateral, then all or a portion of the Retained Bond Proceeds Amount may be disbursed to the Mortgagor provided that following such disbursement there will not then exist a shortfall in the borrowing capacity under the Master Credit Facility. The Corporation and DASNY each have a co-equal first lien priority on any Retained Bond Proceeds Collateral provided by the Mortgagor which is comprised of real property and any mortgages related thereto, which mortgages will be assigned to the Trustee and Fannie Mae, as their interests may appear. The Mortgagor currently desires to draw on the Retained Bond Proceeds Amount and is seeking a letter of credit from a commercial bank to serve as Retained Bond Proceeds Additional Collateral.

Fannie Mae has further required that to the extent the Retained Bond Proceeds Additional Collateral provided by the Mortgagor is not real property, then on or prior to the fourth (4^{th}) anniversary date of the issuance of the DASNY Bonds, if the value assigned to the real estate collateral then comprising the collateral pool does not equal or exceed the total of the credit enhancement commitments made by Fannie Mae under the Master Credit Facility (that is, based on the real estate collateral only there exists a shortfall in the borrowing capacity), then the Mortgagor must either (a) replace the existing non-real estate collateral with a collateral interest in real property satisfying the requirements of the Reimbursement Agreement, or (b) prepay a portion of the DASNY Mortgage Loan to effect a redemption of the DASNY Bonds in an amount that will reduce Fannie Mae's credit enhancement commitments to the available borrowing capacity represented by the real property collateral pool under the Master Credit Facility (the "Loan Equalization Amount"). If the Mortgagor fails to effect such replacement or repayment, then Fannie Mae will have the right to direct the Trustee to redeem DASNY Bonds in an amount equal to such Loan Equalization Amount. In the event that the DASNY Bonds are redeemed under such circumstances, Fannie Mae will be obligated to honor a draw under the applicable credit enhancement instrument to pay principal of and interest on the DASNY Bonds to the date of redemption, and will be reimbursed from the proceeds of the non-real estate Retained Bond Proceeds Collateral provided by the Mortgagor.

In addition, if by the fourth (4^{th}) anniversary date of the issuance of the DASNY Bonds, all or a portion of the Retained Bond Proceeds Amount has not been released to the Mortgagor (because the Mortgagor has failed to

provide Retained Bond Proceeds Additional Collateral in amounts sufficient to permit the disbursement of any or all of the Retained Bond Proceeds Amount), then such remaining proceeds will not be disbursed and the DASNY Bonds will be subject to mandatory redemption in an amount equal to the remaining portion of the Retained Bond Proceeds Amount. In the event that a portion of the DASNY Bonds are redeemed as described above, Fannie Mae will be obligated to honor a draw under the applicable credit enhancement instrument to pay principal of and interest on the DASNY Bonds to the date of redemption, and will be reimbursed from the remaining Retained Bond Proceeds Amount.

Pursuant to the Reimbursement Agreement, a default under any of the Mortgages, the DASNY Mortgages or any of the other mortgages encumbering other bond projects or conventional loan projects financed pursuant to the Master Credit Facility will, at Fannie Mae's option, constitute a default under the Reimbursement Agreement. Consequently, a default with respect to the DASNY Mortgages, any other bond project or any conventional loan project could result in an event of default under the Reimbursement Agreement whether or not the 2005 Bonds or the Mortgage Loan on the Project are in default. Upon an event of default under the Reimbursement Agreement, Fannie Mae, at its option, may direct the Trustee to redeem all or a portion of the 2005 Bonds or require all or a portion of the 2005 Bonds to be tendered for purchase. In such event, Fannie Mae will be obligated to honor a draw under the Credit Enhancement Instrument to pay principal of and interest on the 2005 Bonds to the date of redemption or tender. No premium will be paid on the 2005 Bonds in the event of such a mandatory redemption or mandatory tender of the 2005 Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT," "DESCRIPTION OF THE 2005 BONDS — Redemption of 2005 Bonds — Mandatory Redemption Following an Event of Termination" and "DESCRIPTION OF THE 2005 BONDS — Mandatory Tender of the 2005 Bonds — Credit Facility Provider's Right To Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination."

The 2005 Bonds were issued as auction rate obligations on March 30, 2005. On March 17, 2008, the 2005 Bonds will be subject to mandatory tender for purchase and will be remarketed as variable rate obligations which will bear interest from March 17, 2008 to but not including the Wednesday following said date at a rate per annum determined by Goldman, Sachs & Co. as remarketing agent for the 2005 Bonds (in such capacity, the "Remarketing Agent"). Thereafter, each Series of the 2005 Bonds will bear interest at the Weekly Rate, to be determined weekly by the Remarketing Agent. The interest rate established with respect to each Series of the 2005 Bonds during any Weekly Rate Period shall be determined separately for each Series and need not be the same interest rate. Under certain circumstances, and with the prior written consent of Fannie Mae, the method of calculating the interest rate borne by each Series of the 2005 Bonds may be changed from time to time to a different method provided for in the Resolution or the interest rate may be converted to a fixed rate to maturity. The interest rate established with respect to each Series of the 2005 Bonds during any Weekly Rate Period shall be determined separately for each Series and need not be the same interest rate. See "DESCRIPTION OF THE 2005 BONDS." The 2005 Bonds are subject to a maximum interest rate of twelve percent (12%) per annum, subject to adjustment in accordance with the Resolution**.**

During any period of time in which any Series of the 2005 Bonds bears interest at the Weekly Rate, such 2005 Bonds are subject to purchase at a price equal to 100% of the principal amount of such 2005 Bonds plus accrued and unpaid interest thereon to the date of purchase (the "Purchase Price"). Such purchase shall be made upon demand of the owner thereof on any Business Day upon seven days' prior notice delivered to the Trustee prior to 4:00 p.m., New York City time.

The 2005 Bonds are also subject to mandatory tender for purchase and are subject to optional and mandatory redemption as set forth in the Resolution and described herein. Payment of the Purchase Price of tendered 2005 Bonds that are not remarketed shall be paid with amounts provided pursuant to the Credit Enhancement Instrument. As more fully described herein, the loss of exclusion of interest on the 2005 Series A Bonds from gross income for Federal income tax purposes would not, in and of itself, result in a mandatory tender or redemption of all or a portion of either or both Series of the 2005 Bonds.

This Remarketing Circular in general describes the 2005 Bonds only while the 2005 Bonds bear interest at the Weekly Rate.

The 2005 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 2005 Bonds be payable out of any funds of the Corporation other than those of the Corporation pledged therefor. The Corporation has no taxing power.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 2005 BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE 2005 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE 2005 BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Descriptions of the 2005 Bonds and sources of payment, the Corporation, Fannie Mae, the Mortgagor, the Project, the Mortgage Loan, the Credit Enhancement Instrument, the Resolution, the Reimbursement Agreement and certain related agreements are included in this Remarketing Circular. 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 2005 Bonds are qualified in their entirety by reference to the Resolution and the provisions with respect thereto included in the aforesaid documents and agreements. Copies of the Resolution are available for inspection at the office of the Corporation. The Corporation has covenanted in the Resolution to provide a copy of each annual report of the Corporation (and certain special reports, if any) and any Accountant's Certificate relating thereto to each Bond owner who shall have filed such owner's name and address with the Corporation for such purposes. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Accounts and Reports" herein. Other than as so covenanted in the Resolution, the Corporation has not committed to provide any information on an ongoing basis to any repository or other entity or person. The Mortgagor executed a Continuing Disclosure Agreement satisfactory to the Corporation and the Remarketing Agent in connection with the issuance of the 2005 Bonds. After the conversion date, the Mortgagor will no longer be required to file Annual Reports, but the Mortgagor will remain obligated to provide notices of certain material events under such Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein and "APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT."

THE CORPORATION

Purposes and Powers

The Corporation, which commenced operations in 1972, is a corporate governmental agency constituting a public benefit corporation organized and existing under the laws of the State, created for the purposes of providing, and encouraging the investment of private capital in, safe and sanitary dwelling accommodations in the City of New York (the "City") for families and persons of low income, which include families and persons whose need for housing accommodations cannot be provided by the ordinary operations of private enterprise, or in areas designated as blighted through the provision of low interest mortgage loans. Powers granted the Corporation under the Act include the power to issue bonds, notes and other obligations to obtain funds to carry out its corporate purposes, and to refund the same; to acquire, hold and dispose of real and personal property; to make mortgage loans to specified private entities; to purchase loans from lending institutions; to make loans insured or co-insured by the federal government for new construction and rehabilitation of multiple dwellings; to make and to contract for the making of loans for the purpose of financing the acquisition, construction or rehabilitation of multi-family housing accommodations; to acquire and to contract to acquire any federally-guaranteed security evidencing indebtedness on a mortgage securing a loan; to acquire mortgages from the City, obtain federal insurance thereon and either sell such insured mortgages or issue its obligations secured by said insured mortgages and to pay the net proceeds of such sale of mortgages or issuance of obligations to the City; and to do any and all things necessary or convenient to carry out its purposes. The Act further provides that the Corporation and its corporate existence shall continue at least so long as its bonds, including the Bonds, notes, or other obligations are outstanding.

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

For a description of the bond, mortgage loan, loan and servicing activities of the Corporation, see Appendix B – "Activities of the Corporation."

Organization and Membership

The Corporation, pursuant to the Act, consists of the Commissioner of The City of New York Department of Housing Preservation and Development ("HPD") (who is designated as Chairperson of the Corporation pursuant to the Act), the Commissioner of Finance of the City and the Director of Management and Budget of the City (such officials to serve ex-officio), and four (4) public members, two (2) appointed by the Mayor of the City (the "Mayor") and two (2) appointed by the Governor of the State. The Act provides that the powers of the Corporation shall be vested in and exercised by not less than four (4) members. The Corporation may delegate to one or more of its members, officers, agents or employees such powers and duties as it deems proper.

Members

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

VACANT, Vice Chairperson and Member.

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

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

HARRY E. GOULD, JR., Member, serving pursuant to law. Mr. Gould is Chairman, President and Chief Executive Officer of Gould Paper Corporation, the largest privately owned independent distributor of printing paper in the United States. He was Chairman and President of Cinema Group, Inc., a major independent film financing and production company, from 1982 to May 1986, and is

currently Chairman and President of Signature Communications Ltd., a new company that is active in the same field. He is a Life Member of the Executive Branch of the Academy of Motion Picture Arts and Sciences. He was a member of the Board of Directors of Domtar, Inc., the largest Canadian manufacturer of packaging and fine paper from 1995 to 2003. He is a member of the Board of Directors of the USO of Metropolitan New York. He was a member of the Board of Trustees of the American Management Association from 1996 to 1999. He was a member of Colgate University's Board of Trustees from 1976 to 1982. He was Vice Chairman of the President's Export Council, was a member of the Executive Committee and was Chairman of the Export Expansion Subcommittee from 1977 to 1980. He was a National Trustee of the National Symphony Orchestra, Washington, D.C., also serving as a member of its Executive Committee from 1977 to 1999. He was a member of the Board of United Cerebral Palsy Research and Educational Foundation, and the National Multiple Sclerosis Society of New York from 1972 to 1999. He was a Trustee of the Riverdale Country School from 1990 to 1999.

CHARLES G. MOERDLER, Member, term expires December 31, 2010. Mr. Moerdler is a partner in the law firm of Stroock & Stroock & Lavan LLP. Prior to joining his law firm in 1967, Mr. Moerdler was Commissioner of Buildings for The City of New York from 1966 to 1967, and previously worked with the law firm of Cravath, Swaine & Moore. Mr. Moerdler has served as a member of the Committee on Character and Fitness of Applicants to the Bar of the State of New York, Appellate Division, First Department since 1977 and as a member of the Mayor's Committee on Judiciary since 1994. He has also served on the Editorial Board of the New York Law Journal since 1986. Mr. Moerdler held a number of public service positions, including Chairman of The New York State Insurance Fund from 1995 to March 1997, Commissioner and Vice Chairman of The New York State Insurance Fund from 1978 to 1994, Consultant to the Mayor of The City of New York on Housing, Urban Development and Real Estate from 1967 to 1973, Member of the Advisory Board on Fair Campaign Practices, New York State Board of Elections in 1974, Member of the New York City Air Pollution Control Board from 1966 to 1967 and Special Counsel to the New York State Assembly, Committee on Judiciary in 1961 and Committee on The City of New York in 1960. Mr. Moerdler also serves as a Trustee of St. Barnabas Hospital and served on the Board of Overseers of the Jewish Theological Seminary of America. He served as a Trustee of Long Island University from 1985 to 1991 and on the Advisory Board of the School of International Affairs, Columbia University from 1976 to 1979. Mr. Moerdler is a graduate of Long Island University and Fordham Law School, where he was an Associate Editor of the Fordham Law Review.

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

Principal Officers

SHAUN DONOVAN, Chairperson.

VACANT, 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.

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

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

EILEEN M. O'REILLY, Senior Vice President and Chief Financial Officer. Ms. O'Reilly was appointed Senior Vice President and Chief Financial Officer of the Corporation effective May 2, 2007 and joined the Corporation as Acting Senior Vice President on March 19, 2007. Prior to joining the Corporation, Ms. O'Reilly was a principal of Gramercy Capital Consulting, a consulting firm where she advised clients in implementing financial programs and marketing initiatives.

Previously, she held several positions at Fidelity Investments, PaineWebber and Kidder Peabody. Ms. O'Reilly holds a B.A in Economics from Tufts University and an M.B.A. degree from Columbia Business School.

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

THE MORTGAGE LOAN

The Resolution authorizes the Corporation to issue the 2005 Bonds to provide moneys to finance the Mortgage Loan for the purpose of refinancing the Project and to pay certain costs related thereto. The Corporation and the Mortgagor entered into a financing agreement (as the same may be amended or supplemented, the "Loan Agreement"), simultaneously with the issuance of the 2005 Bonds. The Mortgage Loan is evidenced by the Mortgage Note, which is (i) in an amount equal to the aggregate principal amount of the 2005 Bonds, (ii) executed by the Mortgagor in favor of the Corporation and (iii) secured by the Mortgages on the Mortgaged Property. Pursuant to the terms of the Resolution and the Assignment and Agreement by and among the Corporation, the Trustee and Fannie Mae and acknowledged by the Mortgagor (the "Assignment"), the Corporation has assigned and delivered to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Corporation, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents. Fannie Mae has the right under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgages to Fannie Mae in certain events.

The ability of the Mortgagor to pay its Mortgage Loan is dependent on the revenues derived from the Mortgaged Property. Due to the inherent uncertainty of future events and conditions, no assurance can be given that revenues generated by the Mortgaged Property will be sufficient to pay expenses of the Mortgaged Property, including without limitation, debt service on the Mortgage Loan, operating expenses, servicing fees, fees due to Fannie Mae, Remarketing Agent fees, Trustee and Tender Agent fees and fees owed to the Corporation. The ability of the Mortgagor to generate sufficient revenues may be affected by a variety of factors, including but not limited to maintenance of a certain level of occupancy, the level of rents prevailing in the market, the ability to achieve increases in rents as necessary to cover debt service and operating expenses, interest rate levels, the level of operating expenses, the financial condition of the Hospital (as defined below), project management, adverse changes in applicable laws and regulations, and general economic conditions and other factors in the metropolitan area surrounding the Mortgaged Property. 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 Mortgaged Property.

Failure of the Mortgagor to make payments when due under the Mortgage Loan will result in an event of default under the Mortgage Loan and the Reimbursement Agreement and may, at the option of the Credit Facility Provider, result in a mandatory tender or redemption of all or a portion of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "– Mandatory Redemption Following Event of Termination" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein.

The Mortgage Loan is a non-recourse obligation of the Mortgagor with respect to which its members have no personal liability and as to which its members have not pledged for the benefit of the Bondholders any of their respective assets, other than the Mortgaged Property 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, Fannie Mae nor any of their respective counsel, members, directors, officers or employees makes any representations as to the accuracy or sufficiency of such information.

The Mortgagor

The Mortgagor was established in 1983 by The Society of the New York Hospital. Its purposes include developing and managing real estate for the benefit of The New York and Presbyterian Hospital (successor by merger to The Society of the New York Hospital) (the "Hospital") and other charitable organizations affiliated with the Hospital. Effective December 31, 1997, The Society of the New York Hospital merged with The Presbyterian Hospital in the City of New York and formed the Hospital.

Formed as a not-for-profit corporation, the Mortgagor qualifies as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). A majority of the Mortgagor's Board of Directors must consist of persons who also serve as Trustees of the Hospital.

The Mortgagor's principal asset and business operation is its interest in Helmsley Tower and its interest in Payson House, which it acquired with a portion of the proceeds of the DASNY Bonds. Accordingly, it is expected that the Mortgagor will not have any sources of funds to make payments on the Mortgage Loan other than revenues generated by Helmsley Tower and Payson House. A substantial portion of the revenues generated from Helmsley Tower and Payson House are derived from the Hospital, which leases a majority of the units in the Helmsley Tower and Payson House, as described below.

The Mortgagor's operation of Helmsley Tower and Payson House is a continuation of the Hospital's long history of providing housing for its personnel such as certain medical and nursing staffs. The Hospital is one of the nation's oldest academic medical centers. Physicians at the Hospital (other than resident physicians and clinical fellows) hold academic appointments at Weill Medical College of Cornell University or Columbia University's College of Physicians and Surgeons). The Hospital believes that the availability of housing in proximity to the Hospital campus has facilitated the recruitment and retention of highly qualified medical personnel who are able to respond quickly to patient needs.

The Mortgagor pays real estate taxes to The City of New York with respect to those portions of Helmsley Tower and Payson House that are deemed taxable by The City of New York.

The Project

The 2005 Bonds were issued to finance a Mortgage Loan to the Mortgagor for the purposes of refinancing the Project located between 70th and 71st Streets on the easterly side of York Avenue in the Borough of Manhattan and County of New York, City and State of New York. The Project, known as Helmsley Tower, is located on land conveyed to the Mortgagor by the Hospital. The Project, as built, is a 36 story mixed use building, consisting of approximately 631,000 square feet. Floors 8 through 36 of the Project include 519 residential units utilized for housing the Hospital's nurses, resident doctors, clinical fellows and other employees and staff members of the Hospital and other affiliated institutions and 96 residential units utilized by the Mortgagor for temporary housing for patients requiring daily outpatient therapies, accommodations for families and visitors of hospitalized patients and for visiting Hospital staff. Floors 1 through 7 of Helmsley Tower include space for certain Hospital outpatient medical services, clinical and research facilities of the Weill Medical College of Cornell University, Hospital administrative offices and meeting rooms, space for other non-profit medical institutions, as well as retail and commercial purposes. The Project also includes three levels of subsurface parking and one level of subsurface space utilized for storage. The Project has been operating for approximately 22 years. With respect to the residential facilities, approximately 450 units of the 519 residential units referred to above are currently leased to the Hospital pursuant to a lease on terms described below. These leased units are made available by the Hospital to nurses, resident doctors, clinical fellows and technicians employed by the Hospital. The remaining units are leased to certain employees of the Hospital or affiliates of the Hospital. The 2007 aggregate rent increases for all residential units in the Project averaged approximately 4%.

The residential unit mix and the approximate square footage of each respective apartment type are set forth in the table set forth below:

Number of Units	Apartment Type	Square Footage
480*	Studio	410
103*	One Bedroom	650
21	Two Bedrooms	950
10	Three Bedrooms	1,250
1	Four Bedroom Duplex	2,000

* Of these units, 80 studio and 16 one bedroom units have been set aside for temporary housing for patients of the Hospital or certain affiliated hospitals, and accommodations for families and visitors of hospitalized patients and for visiting hospital staff.

Payson House

Payson House is a 35-story, approximately 390,000 square foot, 393-unit staff housing facility, which was acquired by the Mortgagor from Royal Charter Properties, Inc. ("RCPI"), an affiliate of the Mortgagor and the Hospital, with a portion of the proceeds of the DASNY Bonds. Payson House is located at 435 East 70th Street in the Borough of Manhattan and County, City and State of New York. Payson House is a mixed use building constructed in 1966. Floors 1-4 are occupied by various Hospital departments and affiliates, including the Hospital's Real Estate, Human Resources, Payroll and Nursing departments, its affiliated day care facility, and clinical programs of the Hospital and Weill Medical College of Cornell University. The first floor also includes two non-Hospital, non-Mortgagor related retail tenants – a delicatessen and a pharmacy – pursuant to separate leases with Mortgagor. Floors 5 – 35 are comprised of 375 residential apartments that are rented to the Hospital's nurses, medical residents, and clinical fellows as well as other employees and staff members of the Hospital and its affiliated institutions. Payson House includes two levels of subsurface parking with 174 spaces. The parking is utilized by Hospital employees, affiliates and visitors. The 2007 aggregate rent increases for all residential units of Payson House averaged approximately 5.5%.

The residential unit mix and the approximate square footage of each respective apartment type are set forth in the table set forth below:

Number of Units	Apartment Type	Square Footage
151	Studios	480
63	One Bedroom	678
117	Two Bedrooms	1,036
52	Three Bedrooms	1,473
9	Four Bedrooms	1,695
1	Five Bedrooms	2,000

Summary of Historical Revenue and Expenses

Mortgagor

The following summary of the revenue and expenses for the fiscal years ended December 31, 2004, December 31, 2005 and December 31, 2006 is derived from the consolidated financial statements of the Mortgagor which have been audited by Ernst & Young LLP, independent auditors. This summary should be read in conjunction with the consolidated financial statements and related notes included herein. See "Appendix F — Audited Financial Statements of the Mortgagor."

	Year Ended December 31,		
	2004 ($000)	2005 ($000)	2006* ($000)
Revenue:			
Rental Income:			
Tenant	$ 19,136	$ 19,641	$ 21,665
Hotel**	5,523	5,984	6,444
Parking	1,184	1,258	1,328
Miscellaneous	126	115	139
Total Rental Income	25,969	26,998	29,576
Interest Income	568	514	822
Total Revenue	26,537	27,512	30,398
Expenses:			
Operating Expenses	7,208	7,281	8,197
Interest, Depreciation, Amortization	9,441	7,444	8,432
Total Expenses	16,649	14,725	16,629
Excess of Revenue over Expenses	9,888	12,787	13,769
Loss on Extinguishment of Debt	-	(5,462)	-
Net gain (loss) on derivative instruments	1,556	2,137	(2,198)
Net unrealized gains (losses) on marketable securities	8	(8)	205
Transfer from Royal Charter Properties, Inc.	-	-	2,694
Change in net asset deficiency before distributions	11,452	9,454	14,470
Distributions to the Hospital	(8,464)	(11,350)	(12,893)
Change in net asset deficiency	$2,988	($1,896)	$1,577

* On November 16, 2006, RCPI conveyed its right, title and interest in Payson House to Mortgagor. Commencing November 16, 2006, revenue and expenses of Payson House are included in the consolidated financial statements of Mortgagor.

** Hotel income refers to temporary housing for patients requiring daily outpatient therapies, accommodations for families and visitors of hospitalized patients and visiting hospital staff.

Payson House

The following summary of the revenue and expenses for Payson House for the fiscal years ended December 31, 2004, December 31, 2005 and December 31, 2006, is derived from the financial statements of RCPI and Mortgagor. On November 16, 2006, RCPI conveyed its right, title and interest in Payson House to Mortgagor. Commencing November 16, 2006, revenue and expenses of Payson House are included in the consolidated financial statements of Mortgagor.

	Year Ended December 31,		
	2004 ($000)	2005 ($000)	2006 ($000)
Revenue:			
Rental Income:			
Tenant	$ 8,823	$ 9,203	$ 9,363
Parking	869	892	1,008
Miscellaneous	106	93	89
Total Rental Income	9,798	10,188	10,460
Interest Income	15	19	135
Total Revenue	9,813	10,207	10,595
Expenses:			
Operating Expenses	5,041	5,082	5,705
Interest, Depreciation, Amortization	1,736	1,688	1,644
Total Expenses	6,777	6,770	7,349
Excess of Revenue over Expenses	$3,036	$3,437	$3,246

Management's Discussion of Operations

Mortgagor

The Mortgagor has generated an excess of revenue over expenses before distributions during the past three years. During calendar year 2004, the Mortgagor generated an excess of revenue over expenses of $9.9 million. During calendar year 2005, the Mortgagor generated an excess of revenue over expenses (before loss on extinguishment of debt) of $12.8 million, or an increase of 29.3% over calendar year 2004. This increase resulted from a 4.0% increase in rental income and an 11.6% decrease in expenses (before loss on extinguishment of debt). During calendar year 2006, the Mortgagor generated an excess of revenue over expenses of $13.8 million, an increase of 7.7% over calendar year 2005. This increase resulted from the inclusion of Payson House revenue and expenses for the period November 16, 2006 through December 31, 2006, which contributed to a 9.5% overall increase in rental income and a 12.9% overall increase in expenses primarily attributable to a $851,000 (22.8%) increase in interest expenses and amortization of deferred financing costs relating to the financing and a $567,000 (20.4%) increase in salaries and benefits for contracted services. The Mortgagor expects that, subject to compliance with the Mortgage Documents, the DASNY Mortgage loan documents and applicable law, it will periodically distribute substantially all of its excess funds to the Hospital.

During calendar years 2005 and 2006, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital were 98.0%. Average occupancy levels for such periods with respect to the residential units set aside for temporary housing for patients requiring daily outpatient therapies, accommodations for families and visitors of hospitalized patients and for visiting hospital staff were 99% for 2005 and 90% for 2006. The occupancy rate for the offices and retail space in Helmsley Tower during such periods was 100%.

Pursuant to an Agreement of Lease dated April 11, 1985, as amended, between the Mortgagor as landlord and the Hospital as tenant, the Mortgagor is leasing approximately 450 units on floors 12 through 31, inclusive. Such space is sublet or licensed to nurses, resident doctors, clinical fellows and technicians employed by the Hospital. The term of the April 11, 1985 Lease currently expires on April 15, 2035. The annual rent paid by the Hospital for the residential units was $8.8 million in 2004, $9.5 million in 2005 and $9.8 million in 2006. The rent will increase annually to the extent there are increases in the cost of living, as evidenced by increases in the Consumer Price Index. During any fiscal year of the Mortgagor where the demised premises under the April 11, 1985 Lease are not accorded an exemption from the payment of any taxes, the Hospital is required to pay to the Mortgagor its proportionate share of such taxes.

The individual residential units are billed directly for utilities by the Mortgagor on a sub meter basis. The Hospital's Central Plant provides steam for heating purposes to Helmsley Tower, for which the Mortgagor pays the Hospital.

Payson House

Payson House has generated excess of revenue over expenses during the past three years. For the year ended December 31, 2004, revenue exceeded expenses by $3.0 million. During calendar year 2005, Payson House generated an excess of revenue over expenses of $3.4 million, an increase of 13.2% over the prior year. This increase resulted primarily from a 4.0% increase in rental income. During calendar year 2006, Payson House generated an excess of revenue over expenses of $3.2 million, a decrease of 5.5% compared to calendar year 2005. In 2006, a 2.7% increase in rental income was offset by increases in operating expenses of 12.3%.

During calendar year 2004, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital averaged in excess of 95%. The occupancy rate for the commercial space and retail space in Payson House during such period was 99% and 100%, respectively. During calendar year 2005, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital were 91%. The average occupancy rates for the commercial space and retail space were 98% and 100%, respectively. During calendar year 2006, the average occupancy levels for the residential units available for nursing personnel and other employees and staff members of the Hospital were 98%. The average occupancy rates for the commercial space and retail space were 95% and 100%, respectively.

The First Avenue Development

The First Avenue Development involves the development and construction of an approximately 354,310 square foot, 20-story mixed use facility and 96-space parking garage located on First Avenue between 71st and 72nd Streets in New York City, to be used primarily as staff housing for employees of the Hospital and certain of its not-for-profit affiliates (the "First Avenue Facility"). The site is comprised of 12 contiguous lots together with air development rights (the "Development Rights") on an adjacent lot on East 72nd Street.

The First Avenue Facility is owned by RCP-East, LLC ("RCPE LLC"), a New York Limited Liability Company formed on January 13, 2006 at the direction of the Mortgagor. The Mortgagor is the sole managing member of RCPE LLC.

It is contemplated that the First Avenue Facility will include approximately 16,429 gross square feet of ground floor commercial/retail space on the first floor, with a lobby area. Floors 2 through 20 will include approximately 343 residential units primarily for housing the Hospital's nurses, resident doctors, clinical fellows and other employees and staff members of the Hospital and other affiliated institutions. The residential space will include a mix of studio, one, two and three bedroom units. The fifth floor will be outfitted with a laundry room, a children's play area, a family lounge and an exercise room. The First Avenue Facility was designed so that some of the space allocated to residential units may be converted for use, if desired, as Hospital administrative space, Hospital ambulatory clinics and/or medical office space. The First Avenue Facility will also include a 96-space subsurface parking garage with entrance/egress on East 71st Street.

In October, 2005, RCPI purchased the land and improvements (including the Development Rights) at 402 East 72nd Street. The acquisition of the Development Rights was financed with proceeds of an unsecured loan from a commercial bank in the amount of $2 million. The unsecured loan was refinanced with a portion of the proceeds of the DASNY Bonds. The Development Rights are an integral component of the development of the First Avenue Facility. The Mortgagor caused the filing of a Declaration of Zoning Lot Restrictions on January 19, 2006 which allows the Development Rights to support the proposed First Avenue Facility.

As of February, 2008, the First Avenue Facility was approximately 73% completed. Occupancy is anticipated to take place in three phases, with the first phase commencing in June, 2008.

In connection with the DASNY Mortgage Loan, DASNY, the Mortgagor and RCPE LLC entered into a Project Regulatory Agreement, dated as of the date of delivery of the DASNY Bonds (the "Regulatory Agreement"), which sets forth certain of RCPE LLC's obligations in connection with the development and ownership of the First Avenue Facility, including, without limitation, agreements to (i) complete the First Avenue Facility, (ii) comply with all Governmental Requirements (as defined in the Regulatory Agreement) with respect to the First Avenue Facility, (iii) use the First Avenue Facility as a non-profit housing and health facility for the benefit of the Hospital and certain of its not-for-profit affiliates, and (iv) comply with the requirements of the Internal Revenue Code of 1986, as amended, as is necessary to maintain the exclusion of interest on the DASNY Bonds.

The mortgages securing repayment of the 2005 Bonds and the DASNY Bonds do not encumber the First Avenue Development.

FANNIE MAE

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

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

Fannie Mae is subject to regulation by the Secretary of Housing and Urban Development ("HUD") and the Director of the independent Office of Federal Housing Enterprise Oversight within HUD ("OFHEO"). Approval of the Secretary of Treasury is required for Fannie Mae's issuance of its debt obligations and MBS.

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

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

Fannie Mae is incorporating by reference in the Remarketing Circular the documents listed below that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to you by referring you to those documents. Those documents are considered part of the Remarketing Circular, so you should read this Remarketing Circular, and any applicable supplements or amendments, together with those documents before making an investment decision.

You should rely only on the information provided or incorporated by reference in the Remarketing Circular and any applicable supplement, and you should rely only on the most current information.

Fannie Mae incorporates by reference the following documents Fannie Mae has filed, or may file with the SEC:

- Fannie Mae's Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 27, 2008; and

- all other proxy statements that Fannie Mae files with the SEC, and all documents Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Remarketing Circular and prior to the termination of the offering of securities under the Remarketing Circular, excluding any information "furnished" to the SEC on Form 8-K.

Fannie Mae makes no representation as to the contents of this Remarketing Circular, the suitability of the 2005 Bonds for any investor, the feasibility or performance of the Project, or compliance with any securities, tax or other laws or regulations. Fannie Mae's role with respect to the 2005 Bonds is limited to issuing and discharging its obligations under the Credit Enhancement Instrument and exercising the rights reserved to it in the Resolution and the Reimbursement Agreement.

None of such information or any of the statements referred to in the preceding paragraphs under this section, "Fannie Mae," is guaranteed as to accuracy or completeness by the Corporation or is to be construed as a representation by the Corporation. Furthermore, the Corporation makes no representations as to the financial condition or resources of Fannie Mae or as to the absence of material adverse changes subsequent to the date of the Remarketing Circular in such information, or in the information contained in the statements referred to above.

DESCRIPTION OF THE 2005 BONDS

This Remarketing Circular in general describes the 2005 Bonds only while the 2005 Bonds bear interest at the Weekly Rate. The interest rate established with respect to each Series of the 2005 Bonds during any Weekly Rate Period shall be determined separately for each Series and need not be the same interest rate.

General

The 2005 Bonds are dated and will mature as set forth on the cover page of this Remarketing Circular and are fully registered bonds without coupons. The 2005 Bonds of the applicable Series will be remarketed in denominations of $100,000, or any whole multiple of $100,000. The 2005 Bonds are registered in the name of Cede

& Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the 2005 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the 2005 Bonds, the 2005 Bonds will be exchangeable for other fully registered certificated 2005 Bonds of the same Series in any authorized denominations, maturity and interest rate. See "Book-Entry Only System" herein. The Trustee may impose a charge sufficient to reimburse the Mortgagor or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a 2005 Bond. The cost, if any, of preparing each new 2005 Bond issued upon such exchange or transfer, and any other expenses of the Mortgagor or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the 2005 Bonds will be payable by check mailed to the registered owners thereof. However, interest on the 2005 Bonds will be paid to any owner of $1,000,000 or more in aggregate principal amount of the 2005 Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee. As long as the 2005 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

Each Series of the 2005 Bonds will be remarketed as variable rate obligations that, after an initial period to but not including the Wednesday following the date of remarketing, will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent as described herein. The interest rate established with respect to each Series of the 2005 Bonds during any Weekly Rate Period shall be determined separately for each Series and need not be the same interest rate. Each Series of the 2005 Bonds are subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the 2005 Bonds. The 2005 Bonds will be remarketed 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 2005 Bond certificate was issued for each Series of the 2005 Bonds, totaling in the aggregate the principal amount of the 2005 Bonds of such Series, and was deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC", "FICC" and "EMCC", respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", and together with Direct Participants, "Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2005 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2005 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 2005 Bonds, except in the event that use of the book-entry system for such 2005 Bonds is discontinued.

To facilitate subsequent transfers, all 2005 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 2005 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 2005 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 a Series of the 2005 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series of 2005 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005 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 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2005 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 Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to a Series of 2005 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, such Series of 2005 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2005 Bond certificates for the applicable Series will be printed and delivered to DTC.

A Beneficial Owner shall give notice to elect to have its 2005 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such 2005 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2005 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the 2005 Bonds in connection with an optional tender or a mandatory purchase will be deemed

satisfied when the ownership rights in the 2005 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2005 Bonds to the Tender Agent's DTC Account.

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

Each person for whom a Participant acquires an interest in the 2005 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 2005 BONDS.

So long as Cede & Co. is the registered owner of the 2005 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2005 Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2005 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 2005 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 2005 Bonds if the Corporation determines that (i) DTC is unable to discharge its responsibilities with respect to the 2005 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, 2005 Bond certificates will be delivered as described in the Resolution.

NONE OF THE CORPORATION, THE REMARKETING AGENT 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 2005 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 2005 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 2005 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE 2005 BONDS; OR (VI) ANY OTHER MATTER.

Determination of Interest Rates on the 2005 Bonds

Weekly Rate

The 2005 Bonds are being remarketed as variable rate obligations which will bear interest from March 17, 2008 to but not including the Wednesday following said date at a rate per annum determined by the Remarketing Agent. Thereafter, each Series of the 2005 Bonds will bear interest initially at the Weekly Rate as determined from time to time by the Remarketing Agent. The interest rate established with respect to each Series of the 2005 Bonds

during any Weekly Rate Period shall be determined separately for each Series and need not be the same interest rate. At no time shall the interest rate on the 2005 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"). Each Series of the 2005 Bonds is subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein.

Interest on the 2005 Bonds shall be payable on a monthly basis on the fifteenth day of each month and if such 15th day of the month is not a Business Day the next succeeding day which is a Business Day. Interest on the 2005 Bonds shall also be payable on any Change Date and on the maturity date of the 2005 Bonds. Interest on the 2005 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 interest on any of the 2005 Bonds is a day other than a Business Day, then payment will be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for payment, and in the case of such payment no interest shall accrue for the period from the date originally fixed for payment to such next succeeding Business Day.

Each Series of the 2005 Bonds shall bear interest at the Weekly Rate determined in accordance with the Resolution, during the period from the date of the remarketing of the 2005 Bonds to the earlier of the first Interest Method Change Date with respect to such Series or the final maturity or redemption in whole of such Series of the 2005 Bonds, and during any subsequent period from and after any date designated by the Mortgagor, with the prior written consent of the Credit Facility Provider, for a change of the interest rate on the 2005 Bonds to the Weekly Rate until the earlier of the next succeeding Interest Method Change Date or the final maturity or redemption in whole of such Series of the 2005 Bonds, such 2005 Bonds shall bear interest at the Weekly Rate determined in accordance with the Resolution.

The Weekly Rate shall be the lowest interest rate, not exceeding the Maximum Rate, which, in the determination of the Remarketing Agent as of the date of determination and under prevailing market conditions, would result as nearly as practicable in the market price for the 2005 Bonds of the applicable Series on the Weekly Effective Rate Date being one hundred percent (100%) of the principal amount thereof, such interest rate to be determined as follows. The Remarketing Agent shall determine a separate Weekly Rate for each Series of the 2005 Bonds not later than 4:00 p.m., New York City time, on the Business Day preceding the Weekly Effective Rate Date for each Weekly Rate Term; provided, however, that the Weekly Rate from the date of the remarketing of the 2005 Bonds to but not including the Wednesday following said date of remarketing, shall be the rate for each Series of the 2005 Bonds determined by the Remarketing Agent and delivered in writing to the Trustee on the date of such remarketing. The Remarketing Agent shall immediately give notice of the determination of any Weekly Rate to the Corporation, the Mortgagor, the Trustee, the Tender Agent, the Credit Facility Provider and the Servicer.

On the Business Day immediately following (i) the remarketing of the 2005 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 2005 Bond of the applicable Series 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 2005 Bonds of such Series and that from and after the Weekly Effective Rate Date the 2005 Bonds of such Series 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 SIFMA Municipal Swap Index (formerly known as The Bond Market Association Municipal Swap Index) published in The Bond Buyer or otherwise made available to the Trustee, except that with respect to the 2005 Series B Bonds, said rate shall be one hundred percent (100%) of the most recent thirty (30) day Federal Reserve Composite Index as published in Report H-15 of the Federal Reserve Bank of New York.

Changing Method of Interest Rate Determination on the 2005 Bonds

Each Series of the 2005 Bonds is subject to conversion to alternate methods of determining interest rates thereon from time to time and to conversion to an interest rate fixed to maturity upon the terms and conditions described herein. No change in the method of determining the interest rate on the 2005 Bonds of a Series shall be made unless the Trustee has received, 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 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 2005 Bonds is consistent with the provisions of the Resolution and will not adversely affect the exclusion of the interest on the 2005 Series A Bonds from gross income for Federal income tax purposes, and (3)(i) permission from Bond Counsel, the opinion of which as to the exclusion from gross income for Federal income tax purposes of interest on the 2005 Series A Bonds is on file with the Trustee, to deliver such opinion in connection with the 2005 Series A Bonds, or (ii) an opinion from Bond Counsel addressed to the Corporation, the Trustee and the Credit Facility Provider as described in the Resolution to the effect that the interest on the 2005 Series A Bonds is not included in gross income for Federal income tax purposes. The 2005 Series A Bonds and 2005 Series B Bonds may bear interest in different interest rate modes.

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

Mandatory Purchase of 2005 Bonds on Interest Method Change Date

The 2005 Bonds of a Series shall be subject to mandatory tender for purchase on any Interest Method Change Date at the Purchase Price. The Trustee shall deliver, or mail by first class mail to the Remarketing Agent and to the owner of each 2005 Bond of the applicable Series to which such notice relates, at its address shown on the registration books of the Corporation held by the Trustee, a notice not later than the fifteenth (15th) day prior to the Interest Method Change Date. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Interest Method Change Date and reason therefor, that all affected owners of 2005 Bonds shall be deemed to have tendered their 2005 Bonds for purchase on the Interest Method Change Date, and the Purchase Price for such 2005 Bonds.

Owners of the affected 2005 Bonds shall be required to tender their 2005 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 2005 Bonds not so delivered to the Tender Agent ("Undelivered 2005 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 2005 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 2005 BONDS TO DELIVER ITS AFFECTED 2005 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 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

Provisions Affecting 2005 Bonds if a Change of Method of Determining the Interest Rate Cannot be Effected

If (a) a notice of an Interest Method Change Date has been given in accordance with the Resolution and (b) the conditions precedent to an Interest Method Change Date set forth in the Resolution have not been satisfied, then, (i) the new interest method mode shall not take effect; (ii) the 2005 Bonds of the applicable Series shall be subject to mandatory tender on the proposed Interest Method Change Date and the holders of such 2005 Bonds shall not have the right to retain their 2005 Bonds; and (iii) the interest rate shall remain in the Weekly Rate.

Purchase of the 2005 Bonds on Demand of Owner

Each owner of a 2005 Bond may, by delivery of a written notice of tender to the Principal Offices of the Tender Agent at 101 Barclay Street, Floor 7W, New York, New York 10286 Attention: New York Municipal Finance Unit (or such other address as may be established by the Tender Agent from time to time), and the Remarketing Agent at 85 Broad Street, New York, New York 10004 (or such other address as may be established by the Remarketing Agent from time to time), not later than 4:00 p.m., New York City time, on any Business Day not less than seven calendar days before the particular Business Day chosen as the purchase date, demand payment of the Purchase Price on and as of such purchase date of all or a portion of such 2005 Bond in any denomination authorized by the Resolution; provided, however, that no portion of a 2005 Bond shall be purchased unless any remaining portion of such 2005 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 Series and the aggregate principal amount of the 2005 Bonds of such Series to be purchased and the numbers of such 2005 Bonds to be purchased, and (B) the date on which such 2005 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 2005 Bonds are to be purchased prior to an Interest Payment Date and after the Record Date in respect thereof, the owner of such 2005 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 2005 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 Undelivered 2005 Bonds 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 2005 Bonds shall be deemed to have been purchased at the Purchase Price. IN THE EVENT OF A FAILURE BY AN OWNER OF AFFECTED 2005 BONDS TO DELIVER ITS AFFECTED 2005 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 2005 BONDS, AND ANY UNDELIVERED 2005 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 2005 Bond whose owner has exercised its demand purchase option is remarketed to such owner, such owner need not deliver such 2005 Bond to the Tender Agent but such 2005 Bond shall be deemed to have been delivered to the Tender Agent and remarketed and redelivered to such owner.

Mandatory Tender of the 2005 Bonds

Mandatory Purchase of 2005 Bonds On Interest Method Change Date

The 2005 Bonds of a Series are subject to mandatory tender for purchase on an Interest Method Change Date as described under the heading “Changing Method of Interest Rate Determination on the 2005 Bonds” in this section.

Mandatory Purchase of 2005 Bonds Upon Replacement or Expiration of Credit Facility

On any Facility Change Date, the 2005 Bonds are subject to mandatory tender for purchase at the Purchase Price. In connection with a purchase on a Facility Change Date, the Trustee shall deliver, or mail by first class mail, a notice not later than the fifteenth (15th) day prior to the Facility Change Date to the Remarketing Agent and to the owner of each 2005 Bond to which such notice relates at its address shown on the registration books of the Corporation held by the Trustee. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. Such notice shall set forth, in substance, the Facility Change Date and reason therefor, that all affected owners of 2005 Bonds shall be deemed to have tendered their 2005 Bonds for purchase on the Facility Change Date, and the Purchase Price for such 2005 Bonds.

Owners of the affected 2005 Bonds shall be required to tender their 2005 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 2005 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 2005 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 2005 BONDS TO DELIVER ITS 2005 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 2005 BONDS, AND ANY UNDELIVERED 2005 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 2005 Bonds Bearing Interest at the Weekly Rate 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 portion of the Mortgage Loan relating to all Series of the 2005 Bonds bearing interest at the Weekly Rate (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 all the 2005 Bonds bearing interest at the Weekly Rate 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 2005 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 affected owners of 2005 Bonds shall be deemed to have tendered their 2005 Bonds for purchase on the Change Date and the Purchase Price for the 2005 Bonds. Owners of the affected 2005 Bonds to which a mandatory tender for purchase relates shall be required to tender their 2005 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 2005 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 2005 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 2005 BONDS TO DELIVER ITS AFFECTED 2005 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 2005 BONDS, AND ANY UNDELIVERED 2005 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 2005 Bonds so purchased) of all amounts due under the Credit Agreement, all 2005 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 2005 Bonds Upon an Event of Termination

Pursuant to the Resolution, for so long as the Credit Facility is in effect, upon the receipt by the Trustee of written notice from the Credit Facility Provider that one or more events of default or certain other events have occurred under the Reimbursement Agreement (defined in the Resolution as an "Event of Termination"), including, but not limited to, a default under the Mortgage Loan or a failure to reimburse the Credit Facility Provider under the Reimbursement Agreement, the Credit Facility Provider may specify a Change Date on which all or a portion of the 2005 Bonds of one or more Series shall be subject to mandatory tender for purchase, which Change Date shall not be later than eight (8) days following receipt by the Trustee of the direction to purchase such 2005 Bonds. If only a portion of a Series of the 2005 Bonds are to be subject to mandatory tender for purchase, the particular 2005 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 2005 Bond for tender which would result in any remaining 2005 Bond not being in an authorized denomination as provided in the Resolution. Upon receipt of such written notice from the Credit Facility Provider, the Trustee shall immediately deliver to the Remarketing Agent and to the owner of each affected 2005 Bond a notice of mandatory tender for purchase by overnight express mail or courier service. Any notice given in such manner shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT" herein.

Any notice of mandatory tender relating to an Event of Termination specified by the Credit Facility Provider shall set forth, in substance, the Change Date and reason therefor, that all owners of affected 2005 Bonds of the applicable Series shall be deemed to have tendered their 2005 Bonds for purchase on the Change Date and the Purchase Price for the 2005 Bonds. Owners of affected 2005 Bonds of the applicable Series shall be required to tender their 2005 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 2005 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 2005 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 2005 BONDS TO DELIVER ITS AFFECTED 2005 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 2005 BONDS, AND ANY UNDELIVERED 2005 BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE RESOLUTION, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR.

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

The Resolution provides that it is subject to amendment and supplement by a Supplemental Resolution, from time to time, to effect a change with respect to the time periods for provision of notice relating to the Mandatory Purchase Provision, Demand Purchase Option or interest rate determination or the time periods for interest rate determination or the procedure for tendering 2005 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 2005 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 2005 Bond owners. A copy of any such Supplemental Resolution shall be provided to the owners of the 2005 Bonds.

Delivery of 2005 Bonds in Book-Entry Form

Notwithstanding any other provision of the Resolution to the contrary, so long as any 2005 Bond is held in book-entry form, such 2005 Bond need not be delivered in connection with any tender of 2005 Bonds described under "DESCRIPTION OF THE 2005 BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such 2005 Bonds on the date designated for such payment, without further action by the Beneficial Owner, and transfer of beneficial ownership shall be made in accordance with the procedures of DTC. See "DESCRIPTION OF THE 2005 BONDS – Book-Entry Only System" herein.

Disclosure Concerning Sales of 2005 Bonds by Remarketing Agent

The information contained under this subheading "Disclosure Concerning Sales of 2005 Bonds by Remarketing Agent" has been provided by the Remarketing Agent for use in this Remarketing Circular but has not been required by the Corporation or the Mortgagor to be included herein and, to the extent such information does not describe express provisions in the Resolution or the Remarketing Agreement, neither the Corporation nor the Mortgagor accepts any responsibility for its accuracy or completeness.

The Remarketing Agent is Paid by the Mortgagor

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2005 Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Remarketing Circular. The Remarketing Agent is appointed by the Mortgagor 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 2005 Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2005 Bonds for its own account and, in its sole discretion, routinely acquires such tendered 2005 Bonds in order to achieve a successful remarketing of the 2005 Bonds (i.e., because there otherwise are not enough buyers to purchase the 2005 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2005 Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2005 Bonds by routinely purchasing and selling 2005 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2005 Bonds. The Remarketing Agent may also sell any 2005 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 2005 Bonds. The purchase of 2005 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the 2005 Bonds in the market than is actually the case. The practices described above also may result in fewer 2005 Bonds being tendered in a remarketing.

2005 Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2005 Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Weekly Effective Rate Date. The interest rate will reflect, among other factors, the level of market demand for the 2005 Bonds (including whether the Remarketing Agent is willing to purchase 2005 Bonds for its own account). There may or may not be 2005 Bonds tendered and remarketed on a rate determination date or the Weekly Effective Rate Date, the Remarketing Agent may or may not be able to remarket any 2005 Bonds tendered for purchase on either such date at par and the Remarketing Agent may sell 2005 Bonds at varying prices to different investors on either 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 2005 Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer 2005 Bonds on any date, including the rate determination date or the Weekly Effective Rate Date, at a discount to par to some investors.

The Ability to Sell the 2005 Bonds other than through Tender Process May Be Limited

The Remarketing Agent may buy and sell 2005 Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2005 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2005 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2005 Bonds other than by tendering the 2005 Bonds in accordance with the tender process.

2005 Bonds Not Remarketed

After the conversion date, the purchase price of any tendered 2005 Bonds that are not remarketed by the Remarketing Agent is to be paid with the proceeds of a draw under the Credit Enhancement Instrument. See "SECURITY FOR THE BONDS—Credit Enhancement Instrument."

Redemption of 2005 Bonds – Mandatory

Mandatory Redemption from Certain Recoveries of Principal

Each Series of the 2005 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 respect to the portion of the Mortgage Loan relating to all Series of the 2005 Bonds bearing interest at the Weekly Rate with moneys other than amounts transferred from the Principal Reserve Fund) at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. Recoveries of Principal include amounts transferred from the Principal Reserve Fund at the option of the Mortgagor as more fully described under "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund."

Mandatory Redemption on Bankruptcy of Credit Facility Provider

The 2005 Bonds are subject to mandatory redemption in whole at any time prior to maturity, if, within 30 days after an Act of Bankruptcy of the Credit Facility Provider, the Trustee has not received a new Credit Facility, at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds to be redeemed plus accrued interest to the Redemption Date.

Mandatory Redemption Following an Event of Default

The 2005 Bonds are subject to mandatory redemption, in whole at any time prior to maturity, without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Default under the Resolution at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date (which Redemption Date shall be the date of such declaration of acceleration).

Mandatory Redemption Following an Event of Termination

Each Series of the 2005 Bonds are subject to mandatory redemption, in whole or in part at any time prior to maturity, without notice, upon a declaration of acceleration by the Trustee as a remedy for an Event of Termination under the Resolution at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds of such Series 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 2005 Series B Bonds are subject to mandatory redemption, in whole or in part, on April 15th and October 15th of each year (or, if such day is not a Business Day, the next succeeding Business Day) if and to the extent amounts are transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding March 15th or September 15th (or, if such day is not a Business Day, the next succeeding Business Day). When no 2005 Series B Bonds are outstanding, the 2005 Series A Bonds are subject to mandatory redemption, in whole or in part, on April 15th and October 15th of each year (or, if such day is not a Business Day, the next succeeding Business Day) if and to the extent amounts in excess of the Principal Reserve Amount are transferred from the Principal Reserve Fund to the Redemption Account on the immediately preceding March 15th or September 15th (or, if such day is not a Business Day, the next succeeding Business Day) (see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Principal Reserve Fund"). Each such redemption will be at a Redemption Price equal to 100% of the principal amount of such 2005 Bonds or portions thereof to be redeemed plus accrued interest to the Redemption Date. If April 15th or October 15th (or, if such day is not a Business Day, the next succeeding Business Day) is not an Interest Payment Date, then such redemption shall occur on the Interest Payment Date next preceding such April 15th or October 15th.

Optional Redemption for the 2005 Bonds

Each Series of the 2005 Bonds are subject to redemption, at the option of the Corporation, in whole or in part, on any Interest Payment Date prior to maturity at a Redemption Price equal to 100% of the principal amount of the 2005 Bonds of such Series or portions thereof to be so redeemed plus accrued interest to the Redemption Date.

Effect of Loss of Tax Exemption

The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the 2005 Series A Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation is to enter into the Regulatory Agreement with the Mortgagor to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the procedures or certifications set forth therein, the remedies available to the Corporation and/or Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for Federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the 2005 Series A Bonds is payable. See "TAX MATTERS." Pursuant to the Resolution, the loss of such exclusion of interest from gross income would not, in and of itself, result in a mandatory tender or redemption of all or a portion of either or both Series of the 2005 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 either or both Series of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "Mandatory Redemption Following an Event of Termination" herein.

Selection of 2005 Bonds to be Redeemed

If less than all the 2005 Bonds of like Series and maturity are to be redeemed, the Trustee may select the 2005 Bonds to be redeemed by lot, using such method as it shall determine. If less than all of the 2005 Bonds are to be redeemed at the option of the Corporation, the Corporation shall select the Series and maturity or maturities of the 2005 Bonds to be redeemed from among such 2005 Bonds. In the case of a redemption described under the heading "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption from Certain Recoveries of Principal" or "— Mandatory Redemption Following an Event of Termination," the Corporation may select either the 2005 Series A Bonds, the 2005 Series B Bonds or any portion of either Series to be redeemed.

Notwithstanding the foregoing, (i) for so long as the Credit Agreement shall be in full force and effect, the first 2005 Bonds of a Series to be redeemed shall be Purchased Bonds of such Series and (ii) no 2005 Bond shall be

selected for redemption if the portion of such 2005 Bond remaining after such redemption would not be a denomination authorized by the Resolution.

Notice of Redemption

When the Trustee receives notice from the Corporation of its election or direction to redeem the 2005 Bonds, or is required pursuant to the Resolution to redeem the 2005 Bonds, the Trustee is to give notice, in the name of the Corporation, of the redemption of such 2005 Bonds. Such notice is to specify, among other things, the 2005 Bonds to be redeemed, the Redemption Price, the Redemption Date, any conditions precedent to such redemption and the place or places where amounts due upon such redemption will be payable. The Trustee is to mail a copy of such notice postage prepaid to the registered owners of any 2005 Bonds or portions of 2005 Bonds which are to be redeemed, at their last addresses appearing upon the registry book not less than fifteen (15) days before the Redemption Date. The foregoing provisions of this paragraph do not apply in the case of any redemption of 2005 Bonds for which, pursuant to the Resolution, notice is not required to be given. Interest shall cease to accrue and be payable on the 2005 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 2005 Bonds on such date. So long as the 2005 Bonds are in book-entry only form, notice of redemption shall only be given to DTC. See "DESCRIPTION OF THE 2005 BONDS – Book-Entry Only System."

Corporation's Right to Purchase

The Corporation retains the right to purchase the 2005 Bonds at such times, in such amounts and at such prices less than or equal to par as the Corporation shall determine, subject to the provisions of the Resolution, and thereby reduce its obligations, if any, for the 2005 Bonds.

SECURITY FOR THE BONDS

Pledge of the Resolution

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

The Bonds are special obligations of the Corporation payable from the Revenues and amounts on deposit in the Accounts (other than amounts deposited in or to be deposited in the Rebate Fund) as described herein. In addition, the 2005 Bonds, as and to the extent provided in the Credit Facility, are payable from amounts obtained under the Credit Enhancement Instrument or an Alternate Security. Payment of the principal or Redemption Price of and interest on all Bonds is secured by a pledge of the Revenues, which consists of all payments received by the Corporation from or on account of the Mortgage Loan, including scheduled, delinquent and advance payments of principal and interest, proceeds from the sale, assignment, or other disposition of the Mortgage Loan in the event of a default thereon, proceeds of any insurance or condemnation award, and income derived from the investment of funds held by the Trustee in Accounts established under the Resolution, including earnings and gains received by the Trustee pursuant to any investment agreement. Revenues do not, however, include any administrative or financing fee paid to the Corporation, other escrow deposits or financing, extension, late charges or settlement fees of the Servicer of the Mortgage Loan or the Credit Facility Provider on account of the Mortgage Loan. Payment of the Bonds is also secured by a pledge by the Corporation of all amounts held in any Accounts (other than amounts deposited in or to be deposited in the Rebate Fund) established pursuant to the Resolution (including the investments of such Accounts, if any). With regard to the 2005 Bonds, the Credit Facility Provider shall have certain rights with respect to, among other things, extensions, remedies, waivers, amendments and actions unless there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider or the Credit Facility is no longer in effect, to the extent and as provided in the Resolution.

The pledges described in the immediately preceding paragraph are also subject to the terms and provisions of the Resolution requiring transfers of amounts to the Rebate Fund and permitting the application of the Revenues and amounts in such Accounts for the purposes described therein.

Pursuant to the Resolution and the Assignment, the Corporation will assign and deliver to Fannie Mae and the Trustee, as their interests may appear, subject to the reservation of certain rights by the Corporation, all of its right, title and interest in and to the Mortgage Loan and the Mortgage Documents. The Trustee will assign the Mortgage Rights to Fannie Mae but will retain the right to receive payments relating to the Principal Reserve Fund deposits. Fannie Mae has the right under the Assignment to direct the Trustee to assign the Mortgage Note and the Mortgage to Fannie Mae in certain events.

Credit Enhancement Instrument

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

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

Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee with respect to the payment of: (i) the principal of the 2005 Bonds (other than Purchased Bonds (defined below) or 2005 Bonds held by the Mortgagor or any Affiliate of the Mortgagor) when due by reason of acceleration, defeasance, redemption or stated maturity; (ii) up to 35 days' interest at the Maximum Rate due on the 2005 Bonds (other than Purchased Bonds or 2005 Bonds held by the Mortgagor or any Affiliate of the Mortgagor) on or prior to their stated maturity date; and (iii) a portion of the Corporation's regularly scheduled fee (the "Fee Component"), if such fee is not paid to the Corporation in a timely manner.

Fannie Mae will advance funds under the Credit Enhancement Instrument to the Trustee up to the principal amount of the 2005 Bonds and interest thereon at the Maximum Rate for up to 35 days in order to pay the Purchase Price of the 2005 Bonds tendered to the Trustee as Tender Agent and not remarketed pursuant to the Remarketing Agreement.

Fannie Mae's obligations to make advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the Credit Enhancement Instrument are absolute, unconditional and irrevocable.

To the extent of advances made under the Credit Enhancement Instrument with respect to the payment of the Fee Component and the principal amount of the 2005 Bonds and interest thereon, the obligations of Fannie Mae under the Credit Enhancement Instrument will be correspondingly reduced, but with respect to advances made under the Credit Enhancement Instrument with respect to the payment of the Fee Component and the interest on the 2005 Bonds, the portion of the Fee Component and the portion of the interest component of the Credit Enhancement Instrument not otherwise permanently reduced will be automatically reinstated. With respect to advances made under the Credit Enhancement Instrument to pay the Purchase Price of tendered or deemed tendered for the 2005 Bonds, the Credit Enhancement Instrument will be correspondingly reduced and will be reinstated to the extent such Bonds are subsequently remarketed and Fannie Mae is reimbursed for such advances. Outstanding 2005 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 Fannie Mae ("Purchased Bonds").

In computing the amount to be advanced under the Credit Enhancement Instrument with respect to the payment of the principal of or interest on the 2005 Bonds, 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 Instrument shall not be applied to the payment of the principal of or interest on any of such Bonds that are Purchased Bonds on the date such payment is due.

To receive payment under the Credit Enhancement Instrument, the Trustee must make a presentation of certain payment documents under the Credit Enhancement Instrument on or prior to the expiration date of the Credit Enhancement Instrument at the appropriate office of Fannie Mae. The 2005 Series A Credit Enhancement Instrument will expire at 4:00 p.m. Eastern time on April 20, 2035 and the 2005 Series B Credit Enhancement Instrument will expire at 4:00 p.m. Eastern time on October 20, 2011 (each, the "Credit Enhancement Instrument Expiration Date", which is five days after the final maturity of the applicable Series of 2005 Bonds). The right of the Trustee to draw on the Credit Enhancement Instrument to pay the Purchase Price of the 2005 Bonds optionally tendered to the Tender Agent and not remarketed will expire on March 17, 2018, unless earlier terminated or automatically extended by one calendar year on each March 17, unless otherwise specified in writing by Fannie Mae to the Trustee. The Credit Enhancement Instrument will automatically terminate on the first to occur of: (a) the Credit Enhancement Instrument Expiration Date; (b) the honoring by Fannie Mae of the final draw available to be made under the Credit Enhancement Instrument such that the principal portion of the amount available will be reduced to zero and will not be subject to reinstatement; or (c) receipt of a written notice signed by the Trustee's duly authorized officer stating that none of the related 2005 Bonds are Outstanding under the Resolution or the Trustee has received an Alternate Security as permitted by the Resolution and the Reimbursement Agreement.

FANNIE MAE'S OBLIGATIONS WITH RESPECT TO THE 2005 BONDS ARE SOLELY AS PROVIDED IN THE CREDIT ENHANCEMENT INSTRUMENT. THE OBLIGATIONS OF FANNIE MAE UNDER THE CREDIT ENHANCEMENT INSTRUMENT WILL BE OBLIGATIONS SOLELY OF FANNIE MAE, A FEDERALLY CHARTERED STOCKHOLDER-OWNED CORPORATION, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE 2005 BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OF AMERICA OR OF FANNIE MAE. THE 2005 BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

Alternate Security

The Credit Enhancement Instrument may be replaced with various other forms of credit enhancement (each an "Alternate Security" except as described below; the Credit Enhancement Instrument or Alternate Security being herein referred to as the "Credit Facility") or upon conversion of the 2005 Bonds to bear interest at a rate fixed to the maturity thereof, the Corporation may elect to provide no Credit Facility. During any Weekly Rate Period, a Credit Facility must be in effect with respect to the 2005 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 2005 Series A Bonds and the legality, validity and enforceability of the new Credit Facility; (ii) a letter from at least one national rating agency to the effect that such Alternate Security will provide the 2005 Bonds with an investment grade rating; and (iii) moneys sufficient to pay all costs incurred by the Trustee and the Corporation in connection with the provision of such Credit Facility.

Upon replacement of the Credit Enhancement Instrument, the 2005 Bonds are subject to mandatory tender as described above under the caption "DESCRIPTION OF THE 2005 BONDS – Mandatory Tender of the 2005 Bonds – Mandatory Purchase of 2005 Bonds Upon Replacement or Expiration 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 Schedule attached to the Reimbursement Agreement, as such schedule may be amended and any amounts provided by or at the direction of the Mortgagor to replenish withdrawals from the Principal Reserve Fund described in paragraphs (1) and (2) below. *At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor (unless and to the extent such amounts, in the judgment of the Corporation, are needed to be transferred to the Rebate Fund pursuant to the Resolution), (ii) no longer require deposits to the Principal Reserve Fund and/or (iii) consent to a change in the*

Principal Reserve Schedule. The consent of the Bondholders, the Trustee or the Corporation is not required for such actions. Any amounts so released shall no longer secure the 2005 Bonds.

Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund is, if the amount in the Principal Reserve Fund is less than the Principal Reserve Amount, to be retained therein, or, if there is no such deficiency, is to be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which is to be retained in the Principal Reserve Fund; 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 under the Credit Enhancement Instrument which were applied to pay interest due on and/or principal of the 2005 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 under the Credit Enhancement Instrument which were applied to pay the Purchase Price of tendered 2005 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;

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

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

All amounts in the Principal Reserve Fund (rounded down to the nearest multiple of $100,000) are required to be transferred to the Redemption Account on March 15th and September 15th of each year (or, if such day is not a Business Day, the next succeeding Business Day) automatically and used on the next succeeding April 15th and October 15th (or, if such day is not a Business Day, the next succeeding Business Day) to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of 2005 Series B Bonds; provided that, if the principal amount of 2005 Series B Bonds Outstanding is less than $200,000, no amount will be so transferred to the Redemption Account unless the amount in the Principal Reserve Fund is at least equal to the principal amount of Outstanding 2005 Series B Bonds in which case the amount to be so transferred will be an amount equal to the principal amount of Outstanding 2005 Series B Bonds. Subject to the preceding sentence, all amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of $100,000) are required to be transferred to the Redemption Account on March 15th and September 15th of each year (or, if such day is not a Business Day, the next succeeding Business Day) to be applied to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of the 2005 Bonds on the next succeeding April 15th and October 15th (or, if such day is not a Business Day, the next succeeding Business Day). If April 15th or October 15th (or, if such day is not a Business Day, the next succeeding Business Day) is not an Interest Payment Date, then such redemption shall occur on the Interest Payment Date next preceding such April 15th or October 15th. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption from Certain Transfers from Principal Reserve Fund."

In addition, after making transfers sufficient to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of the 2005 Series B Bonds in full, under certain circumstances, the Mortgagor is entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to reimburse the Credit Facility Provider for amounts advanced under the Credit Enhancement Instrument to effect the redemption of the 2005 Series A Bonds as directed by the Mortgagor. Any amounts so transferred shall constitute a prepayment of the Mortgage Loan and be a Recovery of Principal. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 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 Enhancement Instrument to effect the mandatory tender or mandatory redemption in whole or in part of the 2005 Bonds. See "DESCRIPTION OF THE 2005 BONDS – Redemption of 2005 Bonds – Mandatory – Mandatory Redemption Following an Event of Termination," "DESCRIPTION OF THE 2005 BONDS – Mandatory Tender of the 2005 Bonds – Credit Facility Provider's Right to Cause a Mandatory Tender for Purchase of 2005 Bonds Upon an Event of Termination" and "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

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

The Mortgages

As security for the Mortgagor's obligations under the Loan Agreement and the Note, the Mortgagor has delivered the Mortgages to the Corporation. The Helmsley Mortgage grants to the Corporation a first mortgage lien on Helmsley and the Payson House Mortgage grants to the Authority a third mortgage lien on Payson House. See "INTRODUCTION." Each Mortgage grants the Authority a security interest in, among other things, the Mortgagor's rights in the rents and other revenues generated in connection with the Mortgaged Property to which such Mortgage relates. The Mortgages have been assigned by the Corporation to the Trustee and Fannie Mae, as their interests may appear.

Helmsley Tower and Payson House are also encumbered by the DASNY Mortgages which secure the Mortgagor's obligations to DASNY under the DASNY Mortgage Loan as described above in "INTRODUCTION." The DASNY Helmsley Mortgage grants to DASNY a fourth mortgage lien on Helmsley Tower and the DASNY Payson Mortgage grants to DASNY a first mortgage lien on Payson House. Pursuant to the Intercreditor Agreement, the Mortgages and the DASNY Mortgages will be given equal priority in the event of a default under any of the Mortgage Documents or the DASNY Mortgage Loan documents. See "The Intercreditor Agreement" below.

The Intercreditor Agreement

Pursuant to the Intercreditor Agreement, the Corporation, DASNY, the Trustee, the DASNY Trustee and the Intercreditor Trustee have agreed to certain procedures for the exercise of remedial actions in the event of a failure by Fannie Mae to fulfill its payment obligations under the Credit Enhancement Instrument and/or DASNY credit enhancement instruments, including institution of foreclosure proceedings under any of the Mortgages or DASNY Mortgages in the event of a default under the Mortgage Documents or the DASNY Mortgage Loan documents, as the case may be. The parties have agreed, among other things, to the deposit with the Intercreditor Trustee of any foreclosure proceeds, the proceeds from any remedial actions taken by the Corporation, the Trustee, DASNY, the DASNY Trustee or the Intercreditor Trustee, and the proceeds from insurance claims or condemnation proceedings with respect to the Mortgaged Property, to be held in trust until disbursed in accordance with the terms of the Intercreditor Agreement. The parties have further agreed that any such foreclosure proceeds or insurance or condemnation proceeds will be transferred to the Trustee and the DASNY Trustee in pro rata shares to be determined by the proportions of 2005 Bonds and DASNY Bonds outstanding at the time of calculation notwithstanding any priority of lien of the Mortgages or the DASNY Mortgages.

Additional Bonds

Additional Bonds, on parity with the 2005 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 2005 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2005 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Additional Bonds" herein.

Bonds Not a Debt of the State or the City

The Bonds are not a debt of the State of New York or of The City of New York, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Corporation pledged therefor. The Corporation has no taxing power.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Contract With Bond Owners – Security for Bonds – Limited Obligation

In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of the Resolution shall constitute a contract among the Corporation, the Trustee and the owners from time to time of such Bonds. The pledges and assignments made in the Resolution and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for (i) the equal benefit, protection and security of the owners of any and all of such Bonds, each of which, regardless of the time of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the Resolution and (ii) the benefit of the Credit Facility Provider, as provided in the Resolution. The Corporation pledges the Revenues and all amounts held in any Account, including investments thereof, established under the Resolution, to the Trustee for the benefit of the Bond owners and the Credit Facility Provider to secure (i) the payment of the principal or Redemption Price of and interest on the Bonds (including the Sinking Fund Payments for the retirement thereof) and (ii) all obligations owed to the Credit Facility Provider under the Credit Agreement, the Assignment and the Assigned Documents (as defined in the Assignment), subject to provisions permitting the use or application of such amounts for stated purposes, as provided in the Resolution and the Assignment. The foregoing pledge does not include amounts on deposit or required to be deposited in the Rebate Fund. The Corporation also assigns to the Trustee on behalf of the Bond owners and to the Credit Facility Provider, as their interests may appear and in accordance with the terms of the Assignment, all of its right, title and interest in and to the Mortgage Loan and said Assigned Documents, except as otherwise provided in the Assignment, including but not limited to all rights to receive payments on the Mortgage Note and under the Mortgage Documents, including all proceeds of insurance or condemnation awards. The Bonds shall be special revenue obligations of the Corporation payable solely from the revenues and assets pledged under the Resolution. In addition, the Bonds shall, as and to the extent provided in the Credit Facility, be payable from Credit Facility Payments; provided, however, that the Credit Facility and the proceeds thereof shall not secure or provide liquidity for Bonds during any period they are Purchased Bonds.

Provisions for Issuance of Bonds

In order to provide sufficient funds to refinance the Project, Bonds of the Corporation are authorized to be issued without limitation as to amount except as may be provided by law. The Bonds shall be executed by the

Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered upon the order of the Corporation, but only upon the receipt by the Trustee of, among other things:

(i) 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;

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

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

(iv) with respect to the 2005 Bonds, the Initial Credit Facility, or if required with respect to any Additional Bonds, the Credit Facility;

(v) with respect to the 2005 Bonds, executed copies of the Assignment, the Loan Agreement, the Regulatory Agreement, the Pledge 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

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

Additional Bonds

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

For so long as a Credit Facility shall be in effect for the 2005 Bonds, no Additional Bonds shall be issued unless such Bonds are secured by the same Credit Facility in effect for the 2005 Bonds, as such Credit Facility shall be amended, extended or replaced in connection with the issuance of such Additional Bonds.

Application and Disbursements of Bond Proceeds

The proceeds of sale of the Bonds, shall, as soon as practicable upon the delivery of such Bonds by the Trustee, be applied as follows:

(1) the amount, if any, received at such time as a premium above the aggregate principal amount of such Bonds shall be applied as specified in a Certificate of an Authorized Officer, and the amount, if any, received as accrued interest shall be deposited in the Revenue Account;

(2) with respect to any Series issued for the purpose of refunding Bonds, the amount, if any, required to pay Costs of Issuance, as designated by an Authorized Officer of the Corporation, shall be deposited in the Bond Proceeds Account;

(3) with respect to any Series issued for the purpose of refunding Bonds, the balance remaining after such deposits have been made as specified in (1) and (2) above shall be applied as specified in the Supplemental Resolution authorizing such Series;

(4) with respect to the 2005 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 2005 Bonds) issued for a purpose other than refunding Bonds, the balance remaining after such deposits have been made shall be deposited in the Bond Proceeds Account.

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

Deposits and Investments

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

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

Any other provisions of the Resolution notwithstanding, amounts on deposit in the Credit Facility Payments Sub-Account, pending application, (i) so long as the Initial Credit Facility is in effect, shall be held uninvested, and (ii) at all other times, may only be invested in Government Obligations maturing or being redeemable at the option of the holder thereof in the lesser of thirty (30) days or the times at which such amounts are needed to be expended.

Establishment of Accounts

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

(1) Bond Proceeds Account;

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

(3) Redemption Account; and

(4) Principal Reserve Fund.

In the event provision is made for an Alternate Security with respect to the Bonds, the Trustee may establish a special trust account with an appropriate designation, and the provisions of the Resolution applicable to

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

Bond Proceeds Account

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

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

Revenue Account

Subject to the provisions of the Assignment, the Corporation shall cause all Pledged Receipts, excluding all amounts to be deposited pursuant to the Resolution in the Principal Reserve Fund, to be deposited promptly with the Trustee in the Revenue Account. There shall also be deposited in the Revenue Account any other amounts required to be deposited therein pursuant to the Resolution, any Supplemental Resolution, the Mortgage Documents and the Loan Agreement. Except as otherwise provided in the Resolution with respect to the Principal Reserve Fund, earnings on all Accounts established under the Resolution shall be deposited, as realized, in the Revenue Account, except for moneys required to be deposited in the Rebate Fund in accordance with the provisions of the Resolution and except for interest income representing a recovery of the premium and accrued interest, if any, included in the purchase price of any Investment Security, which shall be retained in the particular account for which the Investment Security was purchased. During the term of 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 covered by the Initial Credit Facility, as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise, and shall deposit such amounts in the Credit Facility Payments Sub-Account. In addition, during the term of the Initial Credit Facility, the Trustee, at the direction of the Corporation, shall obtain moneys under the Initial Credit Facility in accordance with the terms thereof, in amounts specified by the Corporation to pay such portion of the Administrative Fee due and owing to the Corporation as is secured by the Initial Credit Facility, and shall promptly transfer all such amounts to the Corporation. During the term of any other Credit Facility, the Trustee shall obtain moneys under such Credit Facility, in accordance with the terms thereof, in a timely manner, in the full amount required to pay the principal or Redemption Price of and interest on the Bonds covered by such Credit Facility as such become due, whether at maturity or upon redemption or acceleration or on an Interest Payment Date or otherwise and shall deposit such amounts in the Credit Facility Payments Sub-Account.

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

(1) first, from the Credit Facility Payments Sub-Account, and to the extent the moneys therein are insufficient for said purpose;

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

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

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

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

After payment of the Principal Installments, if any, and interest due on the Outstanding Bonds has been made, and to the extent payments on the Bonds are made from the source described in subparagraph (1) above, the amounts available from the sources described in subparagraphs (2) through (5) above, in the order of priority indicated, shall be used immediately to reimburse the Credit Facility Provider for amounts obtained under the Credit Facility and so applied; provided, however, that during any Weekly Rate Period, such reimbursement shall be made only if the Credit Facility Provider has notified the Trustee, in writing, that the Credit Facility Provider has not been reimbursed for said amounts obtained under the Credit Facility.

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

Any moneys accumulated in the Revenue Account up to the unsatisfied balance of each Sinking Fund Payment (together with amounts accumulated in the Revenue Account with respect to interest on the Bonds for which such Sinking Fund Payment was established) shall, if so directed in writing by the Corporation, be applied by the Trustee on or prior to the forty-fifth day preceding such Sinking Fund Payment (i) to the purchase of Bonds of the maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price plus accrued interest or (ii) to the redemption of such Bonds, if then redeemable by their terms, at the Redemption Prices referred to above.

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

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

On each Interest Payment Date, the Trustee shall transfer from the Revenue Account (after providing for all payments required to have been made prior thereto pursuant to the Resolution) (i) first, to the Trustee, an amount equal to that portion of the Trustee's unpaid annual fees then due and owing, (ii) second, to the Tender Agent, if any, an amount equal to that portion of the Tender Agent's unpaid annual fees then due and owing, (iii) third, to the Remarketing Agent, an amount equal to the Remarketing Agent's unpaid annual fees then due and owing, (iv) fourth, to the Corporation, an amount equal to that portion of the Administrative Fee then due and owing, (v) fifth, if so directed by the Corporation, to the Trustee, an amount equal to the Trustee's unpaid fees and expenses (other than as set forth in (i) above), (vi) sixth, if so directed by the Corporation, to the Tender Agent, if any, an amount equal to the Tender Agent's unpaid fees and expenses (other than as set forth in (ii) above), (vii) seventh, if so directed by the Corporation, to the Remarketing Agent, an amount equal to the Remarketing Agent's unpaid fees and expenses (other than as set forth in (iii) above), (viii) eighth, if so directed by the Corporation or the Credit Facility Provider, to the Servicer, an amount equal to the Servicer's unpaid fees and expenses, (ix) ninth, if so directed by the Corporation or the Credit Facility Provider, to the Credit Facility Provider, an amount equal to any fees and expenses due and owing to the Credit Facility Provider pursuant to the Credit Agreement, and (x) tenth, to the

Corporation, fees and other expenses to the extent unpaid. The amount remaining after making the transfers or payments required hereinabove shall be retained in the Revenue Account. Such remaining balance shall be paid to, or upon the order of, the Mortgagor, free and clear of the lien and pledge of the Resolution, unless the Trustee receives either (i) a Certificate from the Corporation stating that an event of default exists under the Regulatory Agreement, the Commitment or, with respect to the Reserved Rights (as defined in the Loan Agreement) only, the Loan Agreement and directing that the remaining balance shall be retained in the Revenue Account, or (ii) a Certificate from the Credit Facility Provider stating that an event of default exists under the Credit Agreement and directing that the remaining balance shall be retained in the Revenue Account, in which event such remaining balance shall be so retained. If the Trustee receives a Certificate from the Corporation (with respect to clause (i) of the immediately preceding sentence) or the Mortgagor acknowledged by the Credit Facility Provider (with respect to clause (ii) of the immediately preceding sentence), stating either that the applicable default has been cured or waived, or that the Corporation or the Credit Facility Provider, as the case may be, consents to the use of the remaining balance by payment to the Mortgagor, such remaining balance shall once again be paid to or upon the direction of the Mortgagor, as described above.

Redemption Account

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

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

(1) first, from the Credit Facility Payments Sub-Account, to the extent that funds held therein are available for such purpose under the terms of the Credit Facility, and to the extent the moneys therein are insufficient for such purpose;

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

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

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

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

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

Rebate Fund

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

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

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

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

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

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

Principal Reserve Fund

Amounts on deposit in the Principal Reserve Fund shall be applied as set forth in the Resolution. There shall be deposited into the Principal Reserve Fund all of the monthly payments made in accordance with the Principal Reserve Schedule attached to the Credit Agreement 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 described in paragraphs (1) and (2) below. Any income or interest earned or gains realized in excess of losses suffered due to the investment of amounts on deposit in the Principal Reserve Fund shall, if the amount in the Principal Reserve Fund is less than the Principal Reserve Amount, be retained therein, or, if there is no such deficiency, shall be deposited to the Revenue Account following receipt, except as otherwise provided in the Resolution and except for interest income representing accrued interest, if any, included in the purchase price of the investment, which 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.

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

(1) to reimburse the Credit Facility Provider for advances under the Credit Facility which were used to pay interest due on and/or principal of the 2005 Bonds on any Interest Payment Date, Redemption Date, date of acceleration or the maturity date or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such interest and/or principal;

(2) to reimburse the Credit Facility Provider for advances under the Credit Facility which were used to pay the Purchase Price of tendered 2005 Bonds to the extent that remarketing proceeds, if any, are insufficient for such purpose or, in the event a Wrongful Dishonor has occurred and is continuing, to directly pay such Purchase Price;

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

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

Subject to the provisions described in the succeeding paragraph, on each March 15th and September 15th (or, if such day is not a Business Day, the next succeeding Business Day), after providing for all payments and transfers required to be made pursuant to the Resolution, all amounts in the Principal Reserve Fund in excess of the Principal Reserve Amount (rounded down to the nearest multiple of $100,000) shall be transferred by the Trustee to the Redemption Account to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of the 2005 Series A Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of such 2005 Series A Bonds) on the following April 15th and October 15th (or, if such day is not a Business Day, the next succeeding Business Day). If April 15th or October 15th (or, if such day is not a Business Day, the next succeeding Business Day) is not an Interest Payment Date, then such redemption shall occur on the Interest Payment Date next preceding such April 15th or October 15th.

If the Mortgagor certifies in writing to the Trustee and the Corporation that no "Event of Default" or "Default" exists under the Credit Agreement, and if such certificate shall bear the written acknowledgement of the Credit Facility Provider, the Mortgagor shall be entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of 2005 Series A Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2005 Series A 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 (i) such right of the Mortgagor to direct such transfers may be exercised only at the times, and subject to any conditions, set forth in the Loan Agreement with respect to optional prepayments of the Mortgage Loan by the Mortgagor, and (ii) while any 2005 Series B Bonds remain Outstanding, no transfers shall be permitted pursuant to the Resolution until on or after the date on which transfers have been made pursuant to the Resolution sufficient to pay the Redemption Price of all Outstanding 2005 Series B Bonds.

Moneys on deposit in the Principal Reserve Fund shall be invested (i) so long as the Initial Credit Facility is in effect, in Investment Securities described in paragraph (A)(a) of the definition of "Investment Securities" or, to the extent otherwise permitted by the Resolution, other short-term variable rate instruments that are "Investment Securities" within the meaning of paragraph (A)(h) of the definition of "Investment Securities", and (ii) at all other times, in Government Obligations or, to the extent otherwise permitted by the Resolution, (a) other short-term variable rate instruments rated by S&P in a category at least equivalent to the rating then in effect for the 2005 Bonds or (b) as otherwise permitted by the Credit Facility Provider, in its sole discretion.

At the request of the Mortgagor, the Credit Facility Provider, in its sole and absolute discretion, may (i) consent to the release of all or a portion of the amounts on deposit in the Principal Reserve Fund to the Mortgagor

(in which case the Trustee shall release such amounts to the Mortgagor, provided that if, in the judgment of an Authorized Officer of the Corporation, the amount on deposit in the Rebate Fund at such time is less than the Rebate Amount as of such time, then prior to any such release to the Mortgagor, any amounts on deposit in the Principal Reserve Fund (up to the amount of such deficiency) shall be transferred to the Rebate Fund) and/or (ii) no longer require deposits to the Principal Reserve Fund. Any amounts so released shall no longer secure the 2005 Bonds.

Upon the occurrence and during the continuance of a PRF Triggering Event, the Credit Facility Provider shall, by delivering to the Mortgagor, the Trustee and the Corporation a notice stating that a "PRF Triggering Event" has occurred under the Credit Agreement, have the absolute right, in its discretion, to require that the Mortgagor choose to either (a) direct the Trustee that funds on deposit in the Principal Reserve Fund be used to redeem 2005 Bonds, or (b) within thirty (30) days of such notice, deliver (or cause to be delivered) a PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund, provided, however, that no such deposit of a PRF Letter of Credit, and no release of moneys or Investment Securities pursuant to the second succeeding paragraph shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (y) an opinion to the effect that neither the delivery and deposit of such PRF Letter of Credit, nor such release of moneys and Investment Securities from the Principal Reserve Fund, will adversely affect the exclusion from gross income for Federal income tax purposes of interest on the 2005 Series A Bonds, and (z) an opinion to the effect that such PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms.

Any amounts transferred from the Principal Reserve Fund for the purpose of redeeming 2005 Bonds pursuant to the preceding paragraph (or to the reimbursement of the Credit Facility Provider in connection therewith) shall constitute a prepayment of the Mortgage Loan at the option of the Mortgagor and shall be a Recovery of Principal; provided, however, while any 2005 Series B Bonds remain Outstanding, amounts transferred pursuant to the preceding paragraph shall be applied first to the redemption of the 2005 Series B Bonds prior to any redemption of the 2005 Series A Bonds (or to the reimbursement of the Credit Facility Provider in connection therewith).

In substitution of a PRF Letter of Credit, the Mortgagor, may deliver (or cause to be delivered) a Replacement PRF Letter of Credit to the Trustee, for deposit in the Principal Reserve Fund in accordance with the provisions of the Credit Agreement; provided, however, that no such deposit of a Replacement PRF Letter of Credit shall be effected, unless prior thereto or concurrently therewith the Mortgagor shall deliver (or cause to be delivered) to the Trustee and the Corporation the following opinions, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z), other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (y) an opinion to the effect that the delivery and deposit of such Replacement PRF Letter of Credit will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the 2005 Series A Bonds, and (z) an opinion to the effect that such Replacement PRF Letter of Credit is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms. Any such Replacement PRF Letter of Credit delivered to the Trustee in accordance with this paragraph shall constitute a PRF Letter of Credit for purposes of the Resolution.

Upon delivery to the Trustee of a PRF Letter of Credit subsequent to the date of original issuance of the 2005 Bonds, if the opinions required by the preceding paragraph or, as applicable, of the third preceding paragraph, shall have been delivered, the Trustee shall release, to or upon the order of the Mortgagor, all moneys and Investment Securities then on deposit in the Principal Reserve Fund; provided that the aggregate amount so released shall not exceed the amount then available to be drawn under the PRF Letter of Credit. Upon delivery to the Trustee of a Replacement PRF Letter of Credit, if the opinions required by the preceding paragraph shall have been delivered, the Trustee shall release the PRF Letter of Credit being replaced to the PRF Letter of Credit provider.

Moneys drawn or to be drawn under a PRF Letter of Credit shall constitute amounts on deposit in the Principal Reserve Fund for the purposes of the Resolution. The Trustee shall draw upon a PRF Letter of Credit for payment, transfer or other application in accordance with the Resolution (including, without limitation, at the

direction of the Credit Facility Provider in accordance with clauses (1) through (4) of the second paragraph under the heading "Principal Reserve Fund").

If the Credit Facility Provider determines that (i) no "Event of Default" or "Default" continues under the Credit Agreement and (ii) certain debt service coverage ratio requirements have been met, then the Credit Facility Provider shall direct the Trustee to surrender the PRF Letter of Credit previously delivered to it in accordance with the Resolution due to the occurrence and continuation of a PRF Triggering Event, to the provider thereof in simultaneous exchange for an amount of money equal to the face amount of such PRF Letter of Credit, which money shall be deposited in the Principal Reserve Fund; provided, however, that no such surrender of the PRF Letter of Credit shall be made unless prior thereto the Mortgagor shall deliver (or cause to be delivered) to the Corporation, the Trustee and the Credit Facility Provider an opinion, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider to the effect that such surrender and exchange will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the 2005 Series A Bonds.

If ten (10) Business Days prior to the expiration of a PRF Letter of Credit, the Trustee has not received (i) a renewal, replacement or extension of such PRF Letter of Credit, (ii) written evidence from the Credit Facility Provider to the effect that all conditions contained in the Credit Agreement with respect to such renewal, replacement or extension have been met, and (iii) the following opinions, addressed to the Trustee, the Corporation and the Credit Facility Provider, in form and substance satisfactory to the Corporation, the Trustee and the Credit Facility Provider, of Bond Counsel (or, in the case of the opinion described in clause (z) below, other counsel), who is reasonably acceptable to the Corporation, the Trustee and the Credit Facility Provider: (y) an opinion to the effect that the delivery and deposit of such renewal, replacement or extension will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the 2005 Series A Bonds, and (z) an opinion to the effect that such renewal, replacement or extension is a legal, valid and binding obligation of the provider thereof and is enforceable against said provider in accordance with its terms, then the Trustee shall draw the full amount available to be drawn under the PRF Letter of Credit. If the Trustee is not required to draw on the PRF Letter of Credit because the conditions of the preceding sentence have been met and such PRF Letter of Credit is being replaced by another PRF Letter of Credit, such PRF Letter of Credit shall be returned to the PRF Letter of Credit provider. In the event of such a draw on a PRF Letter of Credit, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption or mandatory tender of 2005 Bonds in whole or in part in an amount not exceeding the amount so drawn under such PRF Letter of Credit.

Immediately after the Trustee shall have obtained actual knowledge of a downgrading of the long-term debt obligations of the issuer of a PRF Letter of Credit below either "BBB" by S&P or "Baa" by Moody's, or, upon the written consent or the written direction of the Credit Facility Provider, thirty (30) days after a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below "A" by S&P or Moody's to a rating of "BBB" or above by S&P or "Baa" or above by Moody's, the Trustee shall draw the full amount available to be drawn under such PRF Letter of Credit. In the event of such a draw on a PRF Letter of Credit, the Credit Facility Provider shall have the right to direct the Trustee to cause the mandatory redemption or mandatory tender of 2005 Bonds in whole or in part (or the reimbursement of the Credit Facility Provider in connection therewith) in an amount not exceeding the amount so drawn under the PRF Letter of Credit.

If the Mortgagor fails to either cause a redemption of 2005 Bonds or to provide a PRF Letter of Credit in accordance with the Resolution upon the occurrence and during the continuance of a PRF Triggering Event, the Credit Facility Provider shall have the right to direct the Trustee to apply amounts in the Principal Reserve Fund to the mandatory redemption or mandatory tender of 2005 Bonds in whole or in part (or the reimbursement of the Credit Facility Provider in connection therewith) in an amount not exceeding the amount then on deposit in the Principal Reserve Fund.

Notwithstanding anything in the Resolution to the contrary, so long as any 2005 Series B Bonds remain Outstanding, on each March 15th and September 15th (or, if such day is not a Business Day, the next succeeding Business Day), after providing for all payments and transfers required to be made pursuant to the Resolution, all amounts in the Principal Reserve Fund (rounded down to the nearest multiple of $100,000) shall be transferred by the Trustee to the Redemption Account to be applied to the reimbursement of the Credit Facility Provider in

connection with the redemption of 2005 Series B Bonds (or, in the event a Wrongful Dishonor has occurred and is continuing, directly to the redemption of 2005 Series B Bonds) on the following April 15th and October 15th (of, if such day is not a Business Day, the next succeeding Business Day); provided that, if the principal amount of 2005 Series B Bonds Outstanding is less than $200,000, no amount will be so transferred to the Redemption Account unless the amount in the Principal Reserve Fund is at least equal to the principal amount of Outstanding 2005 Series B Bonds in which case the amount to be so transferred will be an amount equal to the principal amount of Outstanding 2005 Series B Bonds. If April 15th or October 15th (or, if such day is not a Business Day, the next succeeding Business Day) is not an Interest Payment Date, then such redemption shall occur on the Interest Payment Date next preceding such April 15th or October 15th.

On any Interest Method Change Date on which the method of determining the interest on the 2005 Bonds is changed from an Weekly Rate to a Term Rate or the Fixed Rate, the Credit Facility Provider shall be entitled to direct the Trustee to transfer from the Principal Reserve Fund to the Redemption Account all or a specified portion of the amount on deposit in the Principal Reserve Fund to be applied to the reimbursement of the Credit Facility Provider in connection with the redemption of the 2005 Bonds pursuant to Resolution. 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.

Payment of Bonds

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

Tax Covenants

The following covenants are made solely for the benefit of the owners of, and shall be applicable solely to, the 2005 Series A Bonds and any Additional Bonds, as designated in a Supplemental Resolution, to which the Corporation intends that the following covenants shall apply (the provisions of this section shall not apply to the 2005 Series B Bonds):

The Corporation shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the Bonds shall be excluded from gross income for Federal income tax purposes, except in the event that the owner of any such Bond is a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of the Code.

The Corporation shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to acquire any securities, obligations or other investment property, the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148(a) of the Code.

The Corporation shall not permit any person or "related person" (as defined in the Code) to purchase Bonds (other than Purchased Bonds) in an amount related to the Mortgage Loan to be acquired by the Corporation from such person or "related person."

Covenants with Respect to Mortgage Loan

In order to pay the Principal Installments of and interest on the Bonds when due, the Corporation covenants that it shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of the Resolution and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the kind permitted by the Resolution, to finance the Mortgage Loan pursuant to the Act and the Resolution and any applicable Supplemental Resolution, (ii) do all such acts and things as shall be necessary to receive and collect Pledged Receipts (including diligent enforcement of the prompt collection of all arrears on the Mortgage Loan) and

Recoveries of Principal, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to or to maintain any insurance on the Mortgage Loan or any subsidy payments in connection with the Project or the occupancy thereof and to enforce all terms, covenants and conditions of the Mortgage Loan, the Mortgage, the Mortgage Note and all other documents which evidence or secure the Mortgage Loan, including the collection, custody and prompt application of all Escrow Payments for the purposes for which they were made; provided, however, that the obligations of the Corporation in (ii) and (iii) above shall be suspended during the term of the Assignment, except as otherwise provided in the Assignment.

Issuance of Additional Obligations

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

Accounts and Reports

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

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

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

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

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

No Disposition of Credit Facility

The Trustee shall not, without the prior written consent of the owners of all of the Bonds then Outstanding, transfer, assign or release the Credit Facility except (i) to a successor Trustee, or (ii) to the Credit Facility Provider either (1) upon receipt of an Alternate Security, or (2) upon expiration or other termination of the Credit Facility in accordance with its terms, including termination on its stated expiration date or upon payment thereunder of the full amount payable thereunder. Except as aforesaid, the Trustee shall not transfer, assign or release the Credit Facility until the principal of and interest on the Bonds shall have been paid or duly provided for in accordance with the terms of the Resolution. Notwithstanding the foregoing, the substitution described in the definition of the term "Initial Credit Facility" is not prohibited by the foregoing.

Supplemental Resolutions

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

The Corporation may adopt, without the consent of any owners of the Bonds, Supplemental Resolutions to, among other things, provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on the issuance of other evidences of indebtedness; add to the covenants and agreements of or limitations and restrictions on, the Corporation's other covenants and agreements or limitations and restrictions which are not contrary to or inconsistent with the Resolution; surrender any right, power or privilege of the Corporation under the Resolution but only if such surrender is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; confirm any pledge under the Resolution, of the Revenues or of any other revenues or assets; modify any of the provisions of the Resolution in any respect whatsoever (but no such modification shall be effective until all Bonds theretofore issued are no longer Outstanding); provide for the issuance of Bonds in coupon form payable to bearer; authorize the issuance of Additional Bonds and prescribe the terms and conditions thereof; provide for such changes as are deemed necessary or desirable by the Corporation in connection with either providing a book-entry system with respect to a Series of Bonds or discontinuing a book-entry system with respect to a Series of Bonds; provide for such changes as are deemed necessary or desirable by the Corporation to take effect on a Change Date on which 100% of the Bonds are subject to mandatory tender; cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision in the Resolution (provided that the Trustee shall consent thereto); comply with the Code; provide for such changes as are deemed necessary by the Corporation upon delivery of an Alternate Security; or make any additions, deletions or modifications to the Resolution which, in the opinion of the Trustee, are not materially adverse to the interests of the Bond owners.

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

Amendments, Changes and Modifications to the Credit Facility

Subject to the provisions of the Resolution, the Trustee may, without the consent of the owners of the Bonds, consent to any amendment of the Credit Facility which does not prejudice in any material respect the interests of the Bondholders. Prior to consenting to any amendment to the Credit Facility, the Trustee shall be entitled to request and receive an opinion of counsel to the effect that all conditions precedent to such amendment have been satisfied. Except for such amendments, the Credit Facility may be amended only with the consent of the Trustee and the owners of a majority in aggregate principal amount of Outstanding Bonds, except that, without the written consent of the owners of all Outstanding Bonds, no amendment may be made to the Credit Facility which would reduce the amounts required to be paid thereunder or change the time for payment of such amounts; provided that any such amounts may be reduced without such consent solely to the extent that such reduction represents a reduction in any fees payable from such amounts.

Events of Default and Termination

Each of the following events set forth in clauses (1) through (4) below constitutes an "Event of Default" and the following event set forth in clause (5) below constitutes an "Event of Termination" with respect to the Bonds: (1) payment of the principal or Redemption Price, if any, of or interest on any Bond (other than Purchased Bonds) when and as the same shall become due, whether at maturity or upon call for redemption or otherwise, shall not be made when and as the same shall become due; (2) payment of the Purchase Price of any 2005 Bond (other than Purchased Bonds) tendered in accordance with the Resolution shall not be made when and as the same shall become due; (3) an Act of Bankruptcy of the Corporation; (4) the Corporation shall fail or refuse to comply with the provisions of the Resolution or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Resolution or in any applicable Supplemental Resolution or the Bonds (other than any such default resulting in an Event of Default described in clause (1) or (2) above), and such failure, refusal or default shall continue for a period of thirty days after written notice thereof by the Trustee or the owners of not less than 5% in principal amount of the Outstanding Bonds, provided that the Credit Facility Provider shall have consented in writing to the same constituting an Event of Default; or (5) receipt by the Trustee of written notice from the Credit Facility Provider that (i) an "Event of Default" has occurred and is continuing under the Credit Agreement, (ii) the Mortgagor has failed to (A) either cause a redemption of Bonds or provide a PRF Letter of Credit required to be delivered to the Trustee, in each case pursuant to the Resolution or (B) renew, replace or extend such PRF Letter of Credit in accordance with the Resolution and the Reimbursement Agreement, or (iii) the long-term debt obligations of the issuer of a PRF Letter of Credit delivered to the Trustee pursuant to the Resolution have been downgraded below either "BBB" by S&P or "Baa" by Moody's or 30 days have elapsed since a downgrading of the long-term debt obligations of the issuer of such PRF Letter of Credit below "A" by either S&P or Moody's to a rating of "BBB" or above by S&P or "Baa" or above by Moody's, in each case together with a written direction from the Credit Facility Provider to the Trustee to exercise either the remedy set forth in clause (5) of the following paragraph or the remedy set forth in clause (8) of the following paragraph as provided in such direction.

Remedies

Upon the happening and continuance of an Event of Termination specified in the Resolution, the Trustee shall proceed, in its own name pursuant to the direction of the Credit Facility Provider as described in clause (5) of the preceding paragraph, to protect and enforce the remedies of the Bond owners and the Credit Facility Provider by the remedies set forth in either clause (5) or (8) below; provided, however, the Trustee shall enforce the remedy set forth in clause (5) and clause (8) below within the time limits provided therein. Upon the happening and continuance of any Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee, with the prior written consent of the Credit Facility Provider shall proceed, or upon the happening and continuance of any Event of Default specified in clause (3) or (4) of the preceding paragraph, the Trustee, with the prior written consent of the Credit Facility Provider, may proceed and, upon the written direction of the Credit Facility Provider or at the written request of the owners of not less than 25% in principal amount of the Outstanding Bonds (together with the written consent of the Credit Facility Provider), shall proceed, in its own name, subject, in each such case, to the provisions of the Resolution, to protect and enforce the rights of the Bond owners by the remedies specified below for particular Events of Default, and such other of the remedies set forth in clauses (1) through (7) below, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bond owners, including the right to

require the Corporation to receive and collect Revenues adequate to carry out the covenants and agreements as to the Mortgage Loan (subject to the provisions of the Assignment) and to require the Corporation to carry out any other covenants or agreements with such Bond owners, and to perform its duties under the Act; (2) by bringing suit upon the Bonds; (3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds; (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; (5) with the prior written consent of the Credit Facility Provider in the case of an Event of Default or upon the written direction described in clause (5) of the preceding paragraph in the case of an Event of Termination and upon immediate notice to the Corporation, Mortgagor, Credit Facility Provider and the Servicer, by immediately declaring all Bonds or, with respect to an Event of Termination, a portion of one or more Series of the 2005 Bonds in the principal amount specified by the Credit Facility Provider, due and payable whereupon, with respect to any affected 2005 Bonds, such Bonds shall be immediately redeemed, without premium, pursuant to the Resolution, provided that upon the happening and continuance of an Event of Default specified in clause (1) or (2) of the preceding paragraph, the Trustee, with the prior written consent of the Credit Facility Provider shall declare all Bonds due and payable, and provided, further, that with respect to an Event of Termination set forth in clause (ii) or (iii) of clause (5) of the preceding paragraph, the amount so specified by the Credit Facility Provider shall not exceed the amount on deposit in the Principal Reserve Fund or the amount available to be drawn under the PRF Letter of Credit, as the case may be; (6) in the event that all Outstanding Bonds are declared due and payable, by selling the Mortgage Loan (subject to the provisions of the Assignment) and any Investment Securities securing such Bonds; (7) by taking such action with respect to or in connection with the Credit Facility, in accordance with its terms, as the Trustee deems necessary to protect the interests of the owners of the 2005 Bonds; or (8) upon the happening and continuance of an Event of Termination and upon receipt of written direction from the Credit Facility Provider, by carrying out a purchase of all or, if so designated by the Credit Facility Provider, a portion of, one or both Series of the 2005 Bonds pursuant to the Resolution on a date specified by the Credit Facility Provider, which date shall not be later than eight (8) days following receipt by the Trustee of such direction; provided that with respect to an Event of Termination set forth in clause (ii) or (iii) of clause (5) of the preceding paragraph, the amount so designated by the Credit Facility Provider shall not exceed the amount on deposit in the Principal Reserve Fund or the amount available to be drawn under the PRF Letter of Credit, as the case may be.

Anything in the Resolution to the contrary notwithstanding, except as otherwise provided in clause (5) or (8) of the preceding paragraph, the owners of the majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond owners not parties to such direction and provided, further, that notwithstanding the foregoing, the right of such Bond owners to direct proceedings shall be subject to the rights of the Credit Facility Provider, it being understood that the Credit Facility Provider shall in all cases be entitled to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Resolution so long as the Credit Agreement is in full force and effect and no Wrongful Dishonor shall have occurred and be continuing.

No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Resolution, or for the protection or enforcement of any right under the Resolution unless a Wrongful Dishonor shall have occurred and be continuing and such owner shall have given to the Trustee and the Credit Facility Provider written notice of the Event of Default or an Event of Termination or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the fees, costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing contained in the Resolution shall affect or impair the right of any Bond owner to enforce the payment of the principal of and interest on such owner's Bonds, or the obligation of the Corporation to pay the principal of and interest on each Bond to the owner thereof at the time and place in said Bond expressed.

Unless remedied or cured, the Trustee shall give to the Bond owners notice of each Event of Default or Event of Termination under the Resolution known to the Trustee within ninety days after actual knowledge by the Trustee of the occurrence thereof; provided that in the case of the 2005 Bonds, such notice need not be given with respect to any 2005 Bonds for which the Trustee has proceeded to carry out a mandatory purchase of such 2005 Bonds as described in clause (8) under the heading "Remedies" above or has proceeded to carry out a redemption of such 2005 Bonds as described in clause (5) under the heading "Remedies" above. However, except in the case of default in the payment of the principal or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any payment required to be made into the Bond Proceeds Account, the Trustee may withhold such notice if it determines that the withholding of such notice is in the interest of the Bond owners.

Priority of Payments After Event of Default or Event of Termination

In the event that upon the happening and continuance of any Event of Default or an Event of Termination the funds held by the Trustee shall be insufficient for the payment of the principal or Redemption Price, if any, of interest then due on the Bonds affected, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other amounts received or collected by the Trustee acting pursuant to the Act and the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of such Bonds and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, shall be applied in the order or priority with respect to Bonds as set forth in the following paragraph and as follows:

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

(2) If the principal of all such Bonds shall have become or have been declared due and payable, first, to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any such Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds, and second, to pay the Credit Facility Provider amounts owed to it under the 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 by the preceding paragraph, first, to the owners of all Bonds Outstanding other than Purchased Bonds and second, to the owner of Purchased Bonds.

Rights of the Credit Facility Provider

Notwithstanding anything contained in the Resolution to the contrary, (i) all rights of the Credit Facility Provider under the Resolution, including, but not limited to, the right to consent to, approve, initiate or direct extensions, remedies, waivers, actions and amendments thereunder shall (as to the Credit Facility Provider) cease, terminate and become null and void (a) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by

the Credit Facility Provider, or (b) if the Credit Agreement is no longer in effect; provided, however, that notwithstanding any such Wrongful Dishonor, the Credit Facility Provider shall be entitled to receive notices pursuant to the Resolution in accordance with the terms of the Resolution and (ii) if, and for so long as, there is a Wrongful Dishonor of the Credit Facility by the Credit Facility Provider or if the Credit Agreement is no longer in effect, all rights of the Credit Facility Provider with respect to the Principal Reserve Fund (including, but not limited to, directing the use of amounts, or any PRF Letter of Credit, therein) may be exercised by the Corporation.

Payments Due on Days Not Business Days

If the date for making any payment of principal or Redemption Price of or interest on any of the Bonds shall be a day other than a Business Day, then payment of such principal or Redemption Price of or interest on such Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date originally fixed for such payment, and in the case of such payment no interest shall accrue for the period commencing on such date originally fixed for such payment and ending on such next succeeding Business Day.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

Lender and Fannie Mae have established the Facility in favor of the Mortgagor in the approximate principal amount of $243,665,000, which may be increased to a principal amount not to exceed $400,000,000. The Facility may be used by the Mortgagor and affiliated co-mortgagors (collectively referred to in this Summary as "Mortgagor") to finance in the future other projects through either bonds secured by credit facilities issued by Fannie Mae, or through conventional loans originated by Lender and purchased by Fannie Mae (collectively, the "Portfolio"). Each property in the Portfolio, whether a bond-financed property or a conventional loan, will be evidenced by a mortgage note executed by Mortgagor and secured by a mortgage on the property financed by such loan.

The Reimbursement Agreement governs the reimbursement by Mortgagor of draws under credit facilities (including the Credit Enhancement Instrument) issued pursuant to the Facility and the repayment of conventional loans originated and purchased pursuant to the Facility. The Reimbursement Agreement also requires the Mortgagor to pay various fees and expenses as set forth in the Reimbursement Agreement, and sets forth various affirmative and negative covenants of Mortgagor.

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

Events of Default

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

(i) the occurrence of an "Event of Default" (as such term is defined under any document executed by Mortgagor in connection with any property in the Portfolio (each a "Borrower Document") or guaranty given with respect to a Portfolio property or, the breach beyond any applicable cure period by Mortgagor or, if applicable, guarantor, of its covenants, agreements or obligations under any Borrower Document or guaranty; or

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

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

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

(v) the failure by Mortgagor to cooperate with the remarketing agent in complying with any of the federal securities laws relating to continuing disclosure that are applicable to Portfolio bonds (including the 2005 Bonds) within one (1) Business Day after receipt of notice from Lender or Fannie Mae identifying such failure; or

(vi) the failure by Mortgagor to perform or observe certain other covenants set forth in the Reimbursement Agreement within ten (10) Business Days after receipt of notice from the Lender or Fannie Mae identifying such failure; or

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

(viii) the failure by Mortgagor to perform or observe any term, covenant, condition or agreement set forth in the Reimbursement Agreement not specified in (i) through (vi) above within thirty (30) days after receipt of notice from the Lender or Fannie Mae identifying such failure; *provided* such period shall be extended for up to thirty (30) additional days if Mortgagor, in the discretion of Lender, is diligently pursuing a cure within thirty (30) days after receipt of such notice; or

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

(x) (i) Mortgagor, the Hospital, or any guarantor (A) commences a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) files a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment, winding up or composition or adjustment of debts, (C) consents to or fails to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (D) applies for or consents to, or fails to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, domestic or foreign, (E) admits in writing its inability to pay, or generally not be paying its debts as they become due, (F) makes a general assignment for the benefit of creditors, (G) dissolves or liquidates for any reason (whether voluntary or involuntary), (H) takes any action for the purpose of effecting any of the foregoing or (I) suffers an attachment or other judicial seizure of any substantial portion of its assets or suffers an execution of a substantial portion of its assets and such seizure is not discharged or released by bonding or the posting of other security acceptable in form and substance to Fannie Mae within thirty (30) days; or (ii) a case or other proceeding is commenced against Mortgagor, the Hospital or any guarantor in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or consolidation or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of Mortgagor, the Hospital or any guarantor, or of all or a substantial part of the property, domestic or foreign, of Mortgagor, the Hospital or any guarantor and any such case or proceeding continues undismissed or unstayed for a period of sixty (60)

consecutive calendar days, or any order granting the relief requested in any such case or proceeding against Mortgagor, the Hospital or any guarantor (including, but not limited to, an order for relief under such Federal bankruptcy laws) is entered; or

(xi) the lien and security interests purported to be created under the Reimbursement Agreement or under any other Borrower Document at any time for any reason ceases to be valid and binding in accordance with its terms on the Corporation, Mortgagor or any guarantor or is declared to be null and void, or the validity or enforceability of the Reimbursement Agreement or of any other Borrower Document, or the validity or priority of the lien and security interests created under the Reimbursement Agreement or under any Borrower Document is contested by the Corporation, Mortgagor, the Hospital or any guarantor seeking to establish the invalidity or unenforceability of the Reimbursement Agreement or of any other Borrower Document, or the Corporation, Mortgagor, the Hospital (only with respect to certain documents executed by the Hospital) or any guarantor (only with respect to the guaranty), denies that it has any further liability or obligation under the Reimbursement Agreement or under any other Borrower Document; or

(xii) (a) the execution by Mortgagor of a chattel mortgage or other security agreement on any materials, fixtures or articles used in the construction or operation of the improvements located on any Portfolio property including the Project or on articles of personal property located therein, or (b) any such materials, fixtures or articles are purchased pursuant to any conditional sales contract or other security agreement or otherwise so that the ownership thereof will not vest unconditionally in Mortgagor free from encumbrances, or (c) Mortgagor does not furnish to Lender upon request the contracts, bills of sale, statements, receipted vouchers and agreements, or any of them, under which Mortgagor claims title to such materials, fixtures, or articles; or

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

(xiv) any judgment against Mortgagor or any judgment in excess of $250,000 individually or in the aggregate against guarantor, any attachment or other levy against any portion of Mortgagor's or guarantor's assets with respect to a claim remains unpaid, unstayed on appeal, undischarged, unbonded, not fully insured or undismissed for a period of thirty (30) days after the date by which such judgment (in accordance with its terms) is required to be paid or the date on which any such attachment or other levy encumbers the Mortgagor's or any guarantor's assets; or

(xv) failure for a period of ten (10) Business Days after request, to furnish to Fannie Mae the results of official searches made by any governmental authority, or failure by Mortgagor to comply with any requirement of any governmental authority within the time period required by such governmental authority; or

(xvi) any other indebtedness of or assumed by Mortgagor or any other indebtedness in excess of $250,000 of or assumed by guarantor (i) is not paid when due nor within any applicable grace period in any agreement or instrument relating to such indebtedness or (ii) becomes due and payable before its normal maturity by reason of a default or event of default, however described, or any other event of default occurs and continues after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness; or

(xvii) (i) Mortgagor fails to pay when due or within any applicable grace period any amount payable by Mortgagor under any hedging arrangement or (ii) the termination of any hedging arrangement after any default or event of default, however described, by Mortgagor under any hedging arrangement; or

(xvii) the Hospital's status as an organization described in Section 501(c)(3) of the Internal Revenue Code that is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code is modified or limited in any material respect or revoked by the Internal Revenue Service; or

(xviii) the master lease between Mortgagor and the Hospital ceases to be in full force and effect prior to its expiration date or is terminated without Lender's prior written consent; or

(xix) the occurrence of a default by Mortgagor or the Hospital under the subordination agreement entered into by Mortgagor, the Hospital and Fannie Mae or the master lease between Mortgagor and the Hospital which continues beyond any applicable cure period.

Remedies

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

(i) terminate the commitment to finance additional properties under the Facility and declare the principal of and interest on the conventional and bond-financed properties in the portfolio, all other sums owing by Mortgagor to Lender and Fannie Mae under any of the Borrower Documents forthwith due and payable, whereupon the Facility commitment will terminate and all other sums owing by Mortgagor to Lender and Fannie Mae under any of the Borrower Documents will become forthwith due and payable; or

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

(iii) demand that Mortgagor provides cash collateral or Government Obligations in the full amount of the outstanding obligations under all of the bonds, including the 2005 Bonds whether or not due and payable; or

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

(v) deliver to the Trustee written notice that an "Event of Default" has occurred under the Reimbursement Agreement and direct the Trustee to take such action pursuant to the Borrower Documents as Fannie Mae may determine, including a request that the Trustee call the 2005 Bonds for mandatory redemption in whole or in part or mandatory tender in whole or in part in accordance with the terms and conditions of the Resolution; or

(vi) instruct the Trustee pursuant to the Assignment to assign the assigned documents to Fannie Mae; or

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

(viii) terminate affiliate contracts relating to any of the Portfolio properties or terminate the management agreement, or subject to the rights of third parties, terminate employment arrangements providing for the management or maintenance of the Portfolio properties.

Remedy Upon PRF Triggering Event Or Failure To Maintain PRF Letter Of Credit

Notwithstanding anything in the Reimbursement Agreement or in any other Borrower Document to the contrary, upon the occurrence of a default, an Event of Default or a PRF Triggering Event, and if the Mortgagor fails to either cause a redemption of the 2005 Bonds or deposit a PRF Letter of Credit to the Principal Reserve Fund following a PRF Triggering Event or fails to amend, supplement, extend or replace the PRF Letter of Credit deposited in the Principal Reserve Fund following a PRF Triggering Event or the long-term debt obligations of the issuer of the PRF Letter of Credit deposited in the Principal Reserve Fund following a PRF Triggering Event as set forth in the Reimbursement Agreement are downgraded, Fannie Mae may, but shall not be obligated to, as its only remedy under the Reimbursement Agreement, direct the Trustee to (i) redeem the 2005 Bonds (regardless of whether such 2005 Bonds are then scheduled for redemption), at such times and in such amounts (up to the amounts on deposit in the Principal Reserve Fund) as determined by Fannie Mae; and (ii) to apply the amount on deposit in the Principal Reserve Fund to reimburse Fannie Mae for advances with respect to such redemption.

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 2005 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 2005 Bonds, or in any way impair the rights and remedies of such owners until the 2005 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 2005 Bonds, are fully met and discharged.

CONTINUING DISCLOSURE

In connection with the original issuance of the 2005 Bonds, the Mortgagor executed a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") pursuant to which the Mortgagor has undertaken all responsibilities for any continuing disclosure to owners of the 2005 Bonds as described below, and the Corporation shall have no liability to the owners or any other person with respect to such disclosure. The Mortgagor covenanted for the benefit of owners and Beneficial Owners of the 2005 Bonds to provide its audited financial statements and certain financial information and operating data relating to the Mortgagor by not later than one hundred eighty (180) days after the end of each fiscal year (which fiscal year currently ends on December 31), commencing with the report for the fiscal year ending December 31, 2004 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. After the conversion date, the Mortgagor will no longer be required to file Annual Reports, but the Mortgagor will remain obligated to provide notices of certain material events. All notices of material events are required to be filed by the Mortgagor with each Nationally Recognized Municipal Securities Information Repository and with any then-existing state Repository (collectively, the "Repositories"). The specific nature of the information to be contained in the notices of material events is described in Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Remarketing Agent in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Mortgagor has not failed to comply with any of its continuing disclosure obligations within the last five (5) years, including its obligations under the Continuing Disclosure Agreement.

REMARKETING ON INTEREST RATE CONVERSION DATE

Goldman, Sachs & Co. has agreed, subject to certain conditions, to purchase the 2005 Bonds that are tendered on March 17, 2008 at a purchase price of par and to remarket the 2005 Bonds at par.

TAX MATTERS

Opinion of Bond Counsel

2005 Series A Bonds. On March 30, 2005, Bond Counsel to the Corporation rendered its opinion to the effect that, under existing statutes and court decisions, (i) interest on the 2005 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on the 2005 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation and the Mortgagor in connection with the 2005 Series A Bonds, and Bond Counsel has assumed compliance by the Corporation, the Mortgagor and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2005 Series A Bonds from gross income under Section 103 of the Code. In addition, Bond Counsel has relied on the opinions of special counsel to the Mortgagor and special counsel to the Hospital, regarding, among other matters, the current qualifications of the Mortgagor and the Hospital, respectively, as organizations described in Section 501(c)(3) of the Code.

2005 Series B Bonds. On March 30, 2005, Bond Counsel to the Corporation rendered its opinion to the effect that interest on the 2005 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

On March 30, 2005, Bond Counsel to the Corporation rendered its opinion to the effect that, under existing statutes, interest on the 2005 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).

In the opinion of Bond Counsel to the Corporation, under existing statutes and court decisions, the change in the method of determining the interest rate on the 2005 Series A Bonds, in and of itself, will not adversely affect the exclusion of interest from gross income for Federal income tax purposes under Section 103 of the Code on any 2005 Series A Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2005 Bonds. Bond Counsel 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 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 2005 Series A Bonds, or the exemption from personal income taxes of interest on the 2005 Bonds under state and local tax law.

Summary of Certain Federal Tax Requirements

The 2005 Series A Bonds were issued under certain transition rules in Section 1313 of the Tax Reform Act of 1986. As a result, the tax-exempt status of the 2005 Series A Bonds continues to be governed by certain applicable provisions of the Internal Revenue Code of 1954, as amended (the "1954 Code"), and certain provisions of the Internal Revenue Code of 1986, as amended (the "1986 Code"), that expressly are made applicable under the transition rules (for convenience, references herein to the "Code" shall be deemed to include applicable provisions of the 1954 Code and the 1986 Code). The 2005 Series A Bonds were issued as governmental bonds that are not industrial development bonds within the meaning of Section 103(b)(2) of the 1954 Code, based on use of a major portion of the proceeds by exempt persons, including governmental units and 501(c)(3) organizations, such as the Mortgagor, in furtherance of their exempt purposes in a manner that does not constitute an unrelated trade or business under Section 513(a). In addition, the transition rules provide certain special rules on the treatment of the 2005 Series A Bonds for purposes of the $150 million non-hospital bond limitation under Section 145(b) of the Code.

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the 2005 Series A Bonds in order that interest on the 2005 Series A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the 2005 Series A Bonds, yield and other limits regarding investment of the proceeds of the 2005 Series A Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the United States.

The Corporation has covenanted in the Resolution that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the 2005 Series A Bonds shall be excluded from gross income for Federal income tax purposes. In furtherance thereof, the Corporation entered into certain agreements with the Mortgagor to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the procedures or certifications set forth therein, the remedies available to the Corporation and/or 2005 Series A Bond owners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for Federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the 2005 Series A Bonds is payable.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2005 Series A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2005 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2005 Series A Bonds.

Prospective owners of 2005 Series A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and certain foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security or railroad retirement benefits, individuals otherwise eligible for the earned income credit, and 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 2005 Series A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2005 Series A 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 2005 Series A 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 2005 Series A 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 and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2005 Series A Bonds under federal or state law and could affect the market price for, or the marketability of, the 2005 Series A Bonds. Currently, litigation in various jurisdictions (including Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet, 197 S.W.3d 557 (2006), for which oral arguments have occurred before the U.S. Supreme Court) has called into question the permissibility under the U.S. Constitution of disparate state tax treatment of interest on bonds issued by a state and its political subdivisions and on obligations issued by other states and their political subdivisions. New York State statutes currently result in such disparate treatment. Prospective purchasers of the 2005 Series A Bonds should consult their own tax advisers regarding the foregoing matters.

2005 Series B Bonds

The following discussion is a brief summary of certain United States Federal income tax consequences of the acquisition, ownership and disposition of 2005 Series B Bonds by original purchasers of the 2005 Series B Bonds who are "U.S. Holders", as defined herein. This summary does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules.

Holders of 2005 Series B Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2005 Series B Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption or other disposition (which would include a legal defeasance) of a 2005 Series B Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the 2005 Series B Bond. The Corporation may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2005 Series B Bonds to be deemed to be no longer outstanding under the Resolution (a "defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2005 Series B Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest and the proceeds of the sale of a 2005 Series B Bond before maturity within the United States. Backup withholding may apply to holders of 2005 Series B Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service (the "Service").

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a 2005 Series B Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2005 Series B Bonds under state law and could affect the market price for, or the marketability of, the 2005 Series B Bonds. Currently, litigation in various jurisdictions (including Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet, 197 S.W.3d 557 (2006), for which oral arguments have occurred before the U.S. Supreme Court) has called into question the permissibility under the U.S. Constitution of disparate state tax treatment of interest on bonds issued by a state and its political subdivisions and on obligations issued by other states and their political subdivisions. New York State statutes currently result in such disparate treatment. Prospective purchasers of the 2005 Series B Bonds should consult their own tax advisers regarding the foregoing matters.

IRS CIRCULAR 230 DISCLOSURE

To ensure compliance with requirements imposed by the Service, bondholders of 2005 Series B Bonds (the "Taxable Bondholders") are advised that (i) any U.S. federal tax advice contained in this Remarketing Circular (including any attachments) is not intended or written by Bond Counsel to the Corporation to be used, and that it cannot be used, by any Taxable Bondholder, for the purpose of avoiding penalties that may be imposed on a Taxable Bondholder under the Code; (ii) such advice is written to support the promotion or marketing of the Taxable Bonds or matter(s) addressed by such written advice; and (iii) Taxable Bondholders should seek advice based on their particular circumstances from an independent tax advisor.

NO LITIGATION

The Corporation

At the time of remarketing of the 2005 Bonds, the Corporation will deliver, or cause to be delivered, a certificate of the Corporation substantially to the effect that there is no litigation or other proceeding now pending or threatened against the Corporation of which the Corporation has notice or, to the knowledge of the Corporation, any basis therefor, seeking to restrain or enjoin the issuance, remarketing, sale, execution or delivery of the 2005 Bonds, or in any way contesting or affecting the validity of the 2005 Bonds or any proceedings of the Corporation taken with respect to the issuance, remarketing or sale thereof or the financing of the Mortgage Loan or the pledge or application of any moneys or security provided for the payment of the 2005 Bonds or the existence or powers of the Corporation, or contesting in any material respect the completeness or accuracy of the Remarketing Circular or any supplement or amendment thereto, or challenging the exclusion of interest on the 2005 Series A Bonds from gross income for Federal income tax purposes.

The Mortgagor

At the time of remarketing of the 2005 Bonds, the Mortgagor will deliver, or cause to be delivered, a certificate of the Mortgagor substantially to the effect that there is no litigation of any nature now pending, or to the knowledge of its members, managers, shareholders or officers, as applicable, threatened against or adversely affecting the Mortgagor, seeking to restrain or enjoin the remarketing of the 2005 Bonds, or in any way contesting or affecting the validity of the 2005 Bonds, any proceedings of the Mortgagor taken with respect to the sale, execution or delivery thereof, its existence or powers, or the application of any moneys or security provided for the payment of the 2005 Bonds, or contesting in any material respect the completeness or accuracy of the Remarketing Circular or any supplement or amendment thereto, or challenging the exclusion of interest on the 2005 Series A Bonds from gross income for Federal income tax purposes.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the 2005 Bonds by the Corporation were subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Corporation, which delivered its approving opinion, dated the date of the original issuance of the 2005 Bonds, on March 30, 2005 (a copy of which is attached as Appendix C). The remarketing of the 2005 Bonds is subject to

the delivery by Bond Counsel to the Corporation of its opinion substantially in the form attached as Appendix D. Certain legal matters will be passed upon for the Corporation by its General Counsel. Certain legal matters will be passed upon for Fannie Mae by its Office of General Counsel and by its Special Counsel, Arent Fox LLP, New York, New York. Certain legal matters will be passed upon for the Mortgagor by its Special Counsel, Dennett Law Offices, P.C., Great Neck, New York. Certain legal matters will be passed upon for the Remarketing Agent by its Counsel, Winston & Strawn LLP, New York, New York.

LEGALITY OF 2005 BONDS FOR INVESTMENT AND DEPOSIT

Under the provisions of Section 662 of the Act, the 2005 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 2005 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.

RATINGS

It is expected that, upon the conversion of the 2005 Bonds to bear interest at Weekly Rates, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Moody's Investors Service will confirm the ratings of "AAA" and "Aaa", respectively, on the 2005 Bonds assigned when initially issued and will also assign to the 2005 Bonds ratings of "A-1+" and "VMIG-1", respectively. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from such rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies, if in their judgment, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the 2005 Bonds.

FURTHER INFORMATION

The information contained in this Remarketing Circular is subject to change without notice and no implication should be derived therefrom or from the sale of the 2005 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 2005 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 2005 Bond.

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

MISCELLANEOUS

Any statements in this Remarketing Circular involving matters of opinion, whether or not expressly so stated, are intended as such, and not as representations of fact. This Remarketing Circular is not to be construed as an agreement or contract between the Corporation and the purchasers or owners of any 2005 Bonds.

This Remarketing Circular is submitted in connection with the sale of the 2005 Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Remarketing Circular and the distribution thereof have been duly authorized and approved by the Corporation and the Remarketing Circular has been duly executed and delivered on behalf of the Corporation.

NEW YORK CITY HOUSING DEVELOPMENT CORPORATION

By: /s/ Marc Jahr
President

Dated: March 6, 2008

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

This Appendix A does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Resolution, Credit Enhancement Instrument, Reimbursement Agreement, Assignment and Mortgage Note, copies of which may be obtained from the Corporation. The following terms shall have the following meanings in the Resolution, Credit Enhancement Instrument, Reimbursement Agreement, Assignment and Mortgage Note for the 2005 Bonds unless the context shall clearly indicate otherwise.

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

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

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Mortgagor, the 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 2005 Bonds, authorized pursuant to the Resolution.

"Administrative Fee" means the administrative fee of the Corporation in the amount set forth in the Commitment, plus the amount specified in a Supplemental Resolution in connection with the issuance of Additional Bonds.

"Alternate Security" means any instrument in effect and purpose similar to the Initial Credit Facility, including, but not limited to, a letter of credit, guaranty, standby loan commitment, bond or mortgage insurance policy, standby purchase agreement, credit enhancement instrument, collateral agreement or surety bond, mortgage-backed security or other credit or liquidity facility issued by a financial institution, including, without limitation, Fannie Mae, or any combination thereof, (i) approved by the Corporation and delivered to the Trustee for the benefit of the owners of the Bonds (except that a mortgage insurance policy may be delivered to the Corporation), (ii) replacing any existing Credit Facility, (iii) dated as of a date not later than the expiration date of the Credit Facility for which the same is to be substituted, if a Credit Facility is then in effect, (iv) which shall expire not earlier than a date which is 15 days after an Interest Payment Date for the Bonds (other than the maturity date of the Bonds), and (v) issued on substantially similar terms and conditions with respect to the rights of the owners of the Bonds (including, but not limited to, the Mandatory Purchase Provision) as the then existing Credit Facility, provided that (a) the stated amount of the Alternate Security shall equal the sum of (x) the aggregate principal amount of 2005 Bonds at the time Outstanding, plus (y) the Interest Requirement and (b) said Alternate Security must provide for payment of the Purchase Price upon the exercise by any Bond owner of the applicable Demand Purchase Option.

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

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

and (d) when used with respect to any Credit Facility Provider, any officer or employee of the Credit Facility Provider designated, by name or official title, in writing to the Corporation and the Trustee.

"Beneficial Owner" means, whenever used with respect to a 2005 Series A Bond or a 2005 Series B Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant or such person's subrogee.

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

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

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

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

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

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

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

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

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

"Change Date" means (i) an Interest Method Change Date or (ii) a Facility Change Date or (iii) a date specified by the Credit Facility Provider pursuant to the provisions of the Resolution for carrying out a purchase of the 2005 Bonds pursuant to the Resolution in connection with an Event of Termination or (iv) a date specified by the Corporation pursuant to the provisions of the Resolution for carrying out a purchase of 2005 Bonds pursuant to the Resolution in connection with a Notice of Prepayment of the Mortgage Loan.

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

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

"Commitment" means the Financing Commitment and Agreement dated as of March 9, 2005, 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 Master Credit Facility and Reimbursement Agreement, dated as of March 30, 2005, 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 Instrument" means the Credit Enhancement Instrument, dated the date of initial issuance of the 2005 Bonds and amended and restated on March 17, 2008, executed and delivered by Fannie Mae to the Trustee, as such Credit Enhancement Instrument may be amended, modified, supplemented or restated from time to time.

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

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

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

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

"Demand Purchase Option" means, during a Weekly Rate Period, the provision of the 2005 Bonds for purchase of any 2005 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 (but not including any substitution for the Initial Credit Facility as specified in the definition of "Initial Credit Facility"), or (ii) any date on which the Credit Facility (as to liquidity support or credit support or both) terminates or expires and is not extended or replaced by a new Credit Facility.

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

"Fee Component" means that portion of the Administrative Fee representing the regularly scheduled monthly servicing fee of .15% per annum of the outstanding principal balance of the Mortgage Note, payable to the Corporation pursuant to the terms of the Loan Agreement.

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

"Government Obligations" means (i) direct obligations of or obligations guaranteed by the United States of America, including, but not limited to, United States Treasury Obligations, Separate Trading of Registered Interest

and Principal of Securities (STRIPS) and Coupons Under Book Entry Safekeeping (CUBES), provided the underlying United States Treasury Obligation is not callable prior to maturity, and (ii) obligations of the Resolution Funding Corporation, including, but not limited to, obligations of the Resolution Funding Corporation stripped by the Federal Reserve Bank of New York.

"Highest Rating Category" has the meaning, with respect to an Investment Security, given in this definition. If the 2005 Bonds are rated by a Rating Agency, the term "Highest Rating Category" means, with respect to an Investment Security, that the Investment Security is rated by each Rating Agency in the highest rating given by that Rating Agency for that general category of security. If at any time the 2005 Bonds are not rated (and, consequently, there is no Rating Agency), then the term "Highest Rating Category" means, with respect to an Investment Security, that the Investment Security is rated by S&P or Moody's in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is "A-1+" for debt with a term of one year or less and "AAA" for a term greater than one year, with corresponding ratings by Moody's of "MIG-1" (for fixed rate) or "VMIG-1" (for variable rate) for one year or less and "Aaa" for greater than one year. If at any time (i) the 2005 Bonds are not rated, (ii) both S&P and Moody's rate an Investment Security and (iii) one of those ratings is below the Highest Rating Category, then such Investment Security will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, an Investment Security rated "AAA" by S&P and "Aa3" by Moody's is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Investment Security will be deemed to be rated below the Highest Rating Category. For example, an Investment Security rated "AAA" by S&P and "A1" by Moody's is not rated in the Highest Rating Category.

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

"Initial Credit Facility" means collectively, the Direct Pay Irrevocable Transferable Credit Enhancement Instrument (2005 Series A Bonds) and the Direct Pay Irrevocable Transferable Credit Enhancement Instrument (2005 Series B Bonds), each dated the date of initial issuance of the 2005 Bonds and amended and restated on March 17, 2008, executed and delivered by the Initial Credit Facility Provider to the Trustee, as the same may be amended, modified, supplemented or restated from time to time.

"Initial Credit Facility Provider" means Fannie Mae., a corporation duly organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C., § 1716 et seq., and its successors and assigns.

"Interest Method Change Date" means any date on which the method of determining the interest rate on a Series of the 2005 Bonds changes, as established by the terms and provisions of the Resolution; provided that an Interest Method Change Date may only occur on an Interest Payment Date during any Weekly Rate Period, or if such day is not a Business Day, the next succeeding Business Day.

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

"Interest Requirement" means during the Weekly Rate Period, 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) Government Obligations;

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category;

(c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision;

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

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

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

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

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

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

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

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency, or falls below the Highest Rating Category, the provider must, within 10 days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Investment Securities described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Bonds, or, if the agreement is already collateralized, increase the collateral with Investment Securities described in paragraph (a) or (b) by depositing collateral with the Trustee or a third party custodian, so as to maintain the then current rating of the Bonds, (B) at the request of the Trustee or

the Credit Facility Provider, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long-term obligations are then rated in the Highest Rating Category. The agreement may provide that the down-graded provider may elect which of the remedies to the down-grade (other than the remedy set out in (B)) to perform.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Trustee or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated AAAm-G or AAAm by S&P or Aaa by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Credit Facility Provider, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Bonds are rated by a Rating Agency, the money market mutual fund must be rated AAAm-G or AAAm by S&P, if S&P is a Rating Agency, or Aaa by Moody's, if Moody's is a Rating Agency. If at any time the Bonds are not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated AAAm-G or AAAm by S&P or Aaa by Moody's. If at any time (i) the Bonds are not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency; and

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

Investment Securities shall not include any of the following:

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

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

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

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

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

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

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

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial

Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment; or

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

(B) So long as the 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 Fannie Mae;

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

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

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

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

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

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

"Letter of Representations" means, with respect to each Series of 2005 Bonds, the Blanket Issuer Letter of Representations, dated April 26, 1996, from the Corporation to DTC, applicable to such Series of the 2005 Bonds.

"Loan Agreement" means the Financing Agreement, dated as of March 1, 2005, by and between the Corporation and the Mortgagor, with respect to the Mortgage Loan, as the same may be amended or supplemented from time to time.

"Mandatory Purchase Provision" means the purchase provision of the 2005 Bonds for the purchase of any 2005 Bonds on any Change Date 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 2005 Bonds, executed by the Mortgagor with respect to the Project, as the same may be amended, modified or supplemented from time to time.

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

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

"Mortgage Note" means the Multifamily Note (together with all addenda to the Multifamily Note), evidencing the Mortgage Loan, dated the date of initial issuance of the 2005 Bonds, executed by the Mortgagor in favor of the Corporation with respect to the Project, as the same may be amended, modified or supplemented from time to time.

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

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

"Mortgagor" means Royal Charter Properties–East, Inc., a not-for-profit corporation organized and existing under and by virtue of the laws of the State of New York, which is the mortgagor with respect to the Mortgage Loan, and its successors and permitted transferees as owner of the Project.

"Notice of Prepayment of the Mortgage Loan" means the notice delivered to the Trustee by the Corporation pursuant to the provisions of the Resolution with respect to the Mortgagor's election to prepay, in full, the portion of the Mortgage Loan relating to all Series of the 2005 Bonds bearing interest at the Weekly Rate during any Weekly Rate Period.

"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 (or portion of a Bond) for the payment or redemption of which there have been separately set aside and held in a redemption account thereunder;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and

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

"Participants" means those broker-dealers, banks and other financial institutions for which DTC holds a Series of the 2005 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 Purchased Bonds Custody and Security Agreement, dated as of March 1, 2005, among the Mortgagor, the Trustee, as custodian and collateral agent for the Initial Credit Facility Provider, and the Initial Credit Facility Provider, and with respect to any other Credit Facility Provider providing an Alternate Security and such Alternate Security, any agreement between the Mortgagor and the Credit Facility Provider or the Trustee pursuant to which the Mortgagor agrees to pledge 2005 Bonds to the Credit Facility Provider in connection with the provision of moneys under the Alternate Security, in each case, as the same may be amended, modified or supplemented from time to time.

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

"PRF Letter of Credit" means one or more letters of credit naming the Trustee as the beneficiary, meeting the requirements set forth in the Resolution and the requirements for a "Principal Reserve Fund Letter of Credit" set forth in the Credit Agreement and issued by a financial institution satisfactory to the Credit Facility Provider with long-term debt obligations rated at least "A" by S&P and Moody's.

"PRF Triggering Event" shall have the meaning set forth in the Credit Agreement.

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

"Principal Office", when used with respect to the Trustee shall mean The Bank of New York, 101 Barclay Street, 7th Floor West, New York, New York 10286, when used with respect to the Tender Agent shall mean the same address as that of the Trustee or the address of any Tender Agent or successor Tender Agent appointed in accordance with the terms of this Resolution, and when used with respect to the Remarketing Agent shall mean the office thereof designated in writing to the Corporation, the Mortgagor and the Trustee.

"Principal Reserve Amount" means $17,840,000 (or such other amount as shall be specified in writing by the Credit Facility Provider and filed with the Corporation and the Trustee) less the amount on deposit in any collateral or sinking fund held by the Trustee or certified by the Mortgagor as being held as security for, or to pay, the obligations of the Mortgagor relating to debt service on the Mortgage Loan; provided that such other amount shall only constitute the Principal Reserve Amount if there shall also be filed with the Corporation and the Trustee a Bond Counsel's Opinion to the effect that such change in the Principal Reserve Amount will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on any Bonds to which the tax covenants of the Resolution apply.

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

"Project" means the multi-purpose building known as Helmsley Medical Tower, located on property between 70th and 71st Streets on the easterly side of York Avenue in the Borough of Manhattan and County of New York, City and State of New York, as more fully described under the caption "THE PROJECT AND THE MORTGAGOR – The Project" herein.

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

"Purchased Bond" means any 2005 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 2005 Bond is remarketed to any person other than the Credit Facility Provider, the Mortgagor, any member of the Mortgagor or the Corporation.

"Qualified Financial Institution" means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, savings and loan association, or insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) Federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Credit Facility Provider the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation or (vii) any other entity which is acceptable to the Credit Facility Provider. With respect to an entity which provides an agreement held by the Trustee for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term "Investment Securities" or an entity which guarantees or insures, as applicable, the agreement, a "Qualified Financial Institution" may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

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

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

"Rebate Fund" means the Rebate Fund established pursuant to the Resolution.

"Record Date" means, the Business Day immediately preceding any Interest Payment Date.

"Recoveries of Principal" means all amounts received by the Corporation or the Trustee as or representing a recovery of the principal amount disbursed by the Trustee in connection with the Mortgage Loan, including any premium or penalty with respect thereto, on account of (i) the advance payment of amounts to become due pursuant to such Mortgage Loan, at the option of the Mortgagor; (ii) the sale, assignment, endorsement or other disposition of the Mortgage Loan, the Mortgage or the Mortgage Note other than any assignment pursuant to the Assignment; (iii)

the acceleration of payments due under the Mortgage Loan or the remedial proceedings taken in the event of default on the Mortgage Loan or Mortgage; (iv) proceeds of any insurance award resulting from the damage or destruction of the Project which are to be applied to payment of the Mortgage Note pursuant to the Mortgage, together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such damage or destruction; or (v) proceeds of any condemnation award resulting from the taking by condemnation (or by agreement of interested parties in lieu of condemnation) by any governmental body or by any person, firm, or corporation acting under governmental authority, of title to or any interest in or the temporary use of, the Project or any portion thereof, which proceeds are to be applied to payment of the Mortgage Note pursuant to the Mortgage together with any amounts provided by the Credit Facility Provider pursuant to the Credit Facility in connection with such condemnation or agreement.

"Redemption Account" means the Redemption Account established pursuant to the Resolution.

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

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

"Regulatory Agreement" means the Regulatory Agreement, dated as of the date of initial issuance of the 2005 Bonds, by and between the Corporation and the Mortgagor, as the same may be amended or supplemented from time to time.

"Reimbursement Agreement" means, with respect to the Initial Credit Facility, the Master Credit Facility and Reimbursement Agreement, dated as of March 30, 2005, between the Initial Credit Facility Provider and the Mortgagor, as the same may be amended or supplemented from time to time, and with respect to any Alternate Security, the agreement between the Mortgagor and the Credit Facility Provider issuing such Alternate Security providing for the issuance of such Alternate Security.

"Remarketing Agent" means Goldman, Sachs & Co., 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 remarketing of the 2005 Bonds, by and among the Mortgagor, the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any replacement thereof.

"Replacement PRF Letter of Credit" means one or more replacement PRF Letters of Credit meeting the requirements of the Resolution for a "PRF Letter of Credit".

"Resolution" means the Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project) Bond Resolution adopted by the Corporation on March 15, 2005 and any amendments or supplements made in accordance with its terms.

"Revenue Account" means the Revenue Account established pursuant to the Resolution.

"Revenues" means the Pledged Receipts and Recoveries of Principal.

"Series" means the 2005 Series A Bonds, the 2005 Series B Bonds or any series of Additional Bonds.

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

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

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

"State" means the State of New York.

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

"Tender Agent" means (i) the tender agent appointed by the Corporation with the consent of the Mortgagor and the Credit Facility Provider pursuant to the Resolution, 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 appointed in accordance with the terms of the Resolution, and (ii) the Trustee if no tender agent shall have been appointed under 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 2005 Bonds, as the same may be amended or supplemented from time to time, or any replacement thereof.

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

"2005 Bonds" means, collectively, the 2005 Series A Bonds and the 2005 Series B Bonds.

"2005 Series A Bonds" means the Bonds of such name authorized to be issued pursuant to the Resolution.

"2005 Series B Bonds" means the Bonds of such name authorized to be issued pursuant to the Resolution.

"Weekly Effective Rate Date" means, (i) with respect to any Weekly Rate Term following another Weekly Rate Term, Wednesday of any week and (ii) 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 a Series of the 2005 Bonds, as described in "DESCRIPTION OF THE 2005 BONDS – Weekly Rate Period."

"Weekly Rate Period" means any period of time during which the 2005 Bonds bear interest at the Weekly Rate.

"Weekly Rate Term" means with respect to any particular 2005 Bond, the period commencing on a Weekly Effective Rate Date and terminating on the earlier of the last calendar day prior to the Weekly Effective Rate Date of the following Weekly Rate Term, or the last calendar day prior to a Change Date.

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

APPENDIX B

ACTIVITIES OF THE CORPORATION

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

I. BOND PROGRAMS. The Corporation issues bonds and notes to fund mortgage loans for multi-family residential developments under the programs described below. The multi-family residential developments financed under the Corporation's Multi-Family Housing Revenue Bonds Bond Resolution, adopted by its Members on July 27, 1993, as amended from time to time (the "General Resolution") are described below in "Section B – Housing Revenue Bond Program." As of December 31, 2007, the Corporation had bonds outstanding in the aggregate principal amount of approximately $5,963,625,649. All of the bonds are separately secured, except for the bonds issued under the General Resolution which are equally and ratably secured by the assets pledged under the General Resolution. None of the bonds under the bond programs described in "Section A–Multi-Family Program," "Section C–Liberty Bond Program," and "Section D–Section 223(f) Refinancing Program" provide security under the General Resolution, and none of the bonds under these programs is secured by the General Resolution.

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

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

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

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

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

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

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

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

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

mortgage loans and participation interests in mortgage loans), the revenues received on account of all such loans and securities, and other assets pledged under such resolution and any supplemental resolution for a particular series of bonds. Certain of the projects, which secure a portion of the mortgage loans, receive the benefits of subsidy payments. As of December 31, 2007, eighty-seven (87) series of bonds have been issued under the Housing Revenue Bond Program.

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

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

The following table summarizes bonds outstanding under these bond programs as of December 31, 2007:

	No. of Units	**Bonds Issued**	**Bonds Outstanding**	**Year of Issue**
MULTI-FAMILY PROGRAM				
Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced				
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 43rd Street Development	375	$55,820,000	$51,900,000	1999
Related-West 89th Street Development	265	$53,000,000	$53,000,000	2000
Queenswood Apartments	296	$10,800,000	$10,800,000	2001
Related-Lyric Development	285	$91,000,000	$89,000,000	2001
James Tower Development	201	$22,200,000	$21,305,000	2002
The Foundry	222	$60,400,000	$55,900,000	2002
Related Sierra Development	212	$56,000,000	$56,000,000	2003
West End Towers	1,000	$135,000,000	$135,000,000	2004
Related Westport Development	371	$124,000,000	$123,800,000	2004
Atlantic Court Apartments	321	$104,500,000	$103,100,000	2005

Progress of Peoples Developments	1,008	$83,400,000	$82,280,000	2005
Royal Charter Properties East, Inc. Project	615	$98,775,000	$95,450,000	2005
The Nicole	149	$65,000,000	$64,200,000	2005
Rivereast Apartments	196	$56,800,000	$56,500,000	2006
Seaview Towers	462	$32,000,000	$31,605,000	2006
155 West 21st Street Development	110	$52,700,000	$52,700,000	2007
Ocean Gate Development	542	$48,500,000	$48,155,000	2007
West 61st Street Apartments	211	$68,000,000	$68,000,000	2007
Multi-Family Mortgage Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced				
Columbus Apartments Project	166	$23,570,000	$21,870,000	1995
West 48th 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
Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced				
Related-Upper East	262	$70,000,000	$70,000,000	2003
Aldus Street Apartments	164	$14,200,000	$8,100,000	2004
Brookhaven Apartments	95	$9,100,000	$9,100,000	2004
Courtlandt Avenue Apartments	167	$15,000,000	$7,905,000	2004
East 165th Street Development	136	$13,800,000	$7,665,000	2004
Hoe Avenue Apartments	136	$11,900,000	$6,660,000	2004
Louis Nine Boulevard Apartments	95	$9,500,000	$7,300,000	2004
Manhattan Court Development	123	$17,500,000	$17,500,000	2004
Marseilles Apartments	135	$13,625,000	$13,125,000	2004
Nagle Courtyard Apartments	100	$9,000,000	$4,200,000	2004
Odgen Avenue Apartments	130	$10,500,000	$5,000,000	2004
Parkview Apartments	110	$12,605,000	$5,935,000	2004
Peter Cintron Apartments	165	$14,400,000	$7,840,000	2004
Thessalonica Court Apartments	191	$19,500,000	$19,500,000	2004
15 East Clarke Place Apartments	102	$11,600,000	$11,600,000	2005
33 West Tremont Avenue Apartments	84	$8,450,000	$3,490,000	2005
270 East Burnside Avenue Apartments	114	$13,000,000	$13,000,000	2005

1090 Franklin Avenue Apartments	60	$6,200,000	$2,320,000	2005
1904 Vyse Avenue Apartments	96	$9,650,000	$4,335,000	2005
2007 La Fontaine Avenue Apartments	88	$8,500,000	$3,825,000	2005
Grace Towers Apartments	168	$11,300,000	$11,300,000	2005
Highbridge Apartments	296	$32,500,000	$32,500,000	2005
La Casa del Sol	114	$12,800,000	$12,800,000	2005
Morris Avenue Apartments	210	$22,700,000	$22,700,000	2005
Ogden Avenue Apartments II	59	$5,300,000	$2,500,000	2005
Parkview II Apartments	88	$10,900,000	$10,900,000	2005
The Schermerhorn Development	217	$30,000,000	$30,000,000	2005
Urban Horizons II Development	128	$19,600,000	$19,600,000	2005
White Plains Courtyard Apartments	100	$9,900,000	$4,900,000	2005
500 East 165th Street Apartments	128	$17,810,000	$17,810,000	2006
1405 Fifth Avenue Apartments	80	$14,190,000	$14,190,000	2006
Bathgate Avenue Apartments	89	$12,500,000	$12,500,000	2006
Beacon Mews Development	125	$23,500,000	$23,500,000	2006
Granite Terrace Apartments	77	$9,300,000	$9,300,000	2006
Granville Payne Apartments	103	$12,250,000	$12,250,000	2006
Intervale Gardens Apartments	66	$8,100,000	$8,100,000	2006
Markham Gardens Apartments	240	$25,000,000	$25,000,000	2006
Pitt Street Residence	263	$31,000,000	$31,000,000	2006
Reverend Ruben Diaz Gardens Apartments	111	$13,300,000	$13,300,000	2006
Spring Creek Apartments I and II	582	$24,000,000	$24,000,000	2006
Target V Apartments	83	$7,200,000	$7,200,000	2006
Villa Avenue Apartments	111	$13,700,000	$13,700,000	2006
550 East 170th 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
Multi-Family Rental Housing Revenue Bonds – Rental Projects; Letter of Credit Enhanced				

Chelsea Centro	356	$86,900,000	$79,800,000	2002
Residential Revenue Bonds – Hospital Staff Housing; Letter of Credit Enhanced				
Montefiore Medical Center Project	116	$8,400,000	$7,800,000	1993
The Animal Medical Center	42	$10,140,000	$10,140,000	2003
Mortgage Revenue Bonds – Cooperative Housing; SONYMA-Insured Mortgage Loan				
Maple Court Cooperative	134	$12,330,000	$10,370,000	1994
Maple Plaza Cooperative	154	$16,750,000	$14,745,000	1996
Multi-Family Mortgage Revenue Bonds –Rental Project; REMIC-Insured Mortgage Loan				
Barclay Avenue Development	66	$5,620,000	$5,060,000	1996
Multi-Family Mortgage Revenue Bonds – Senior Housing; Letter of Credit Enhanced				
55 Pierrepont Development	189	$6,100,000	$4,600,000	2000
MILITARY HOUSING REVENUE BONDS				
Fort Hamilton Housing	228	$47,545,000	$47,545,000	2004
HOUSING REVENUE BOND PROGRAM				
Multi-Family Housing Revenue Bonds[1]	89,082	$2,684,805,000	$1,946,445,000	1993-2007
Multi-Family Secured Mortgage Revenue Bonds	313	$10,690,000	$10,630,000	2005
LIBERTY BOND PROGRAM				
Multi-Family Mortgage Revenue Bonds				
90 Washington Street[2]	398	$74,800,000	$74,800,000	2005
The Crest[3]	476	$143,800,000	$143,400,000	2005
2 Gold Street[2]	650	$217,000,000	$215,900,000	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
SECTION 223(f) REFINANCING PROGRAM				
Multifamily Housing Limited Obligations Bonds FHA-Insured Mortgage Loans	1,266 3,182	$79,998, 100 $299,886,700	$11,607,807 $37,857,842	1977 1978

[1] Aggregate information for all eighty-seven (87) series of bonds that the Corporation has issued under its Housing Revenue Bond Program from 1993 through 2007 as described in Section B above.

[2] This project was also financed under the "Multi-Family Rental Housing Revenue Bonds – Rental Projects; Fannie Mae or Freddie Mac Enhanced" Program as described in Section A above.

[3] This project was also financed under the "Multi-Family Mortgage Revenue Bonds – Rental Projects; Letter of Credit Enhanced" Program as described in Section A above.

CAPITAL FUND PROGRAM REVENUE BONDS				
New York City Housing Authority Program	N/A	$281,610,000	$265,810,000	2005
TOTAL	**115,395**	**$7,173,444,800**	**$5,963,625,649**	

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

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

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

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

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

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

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

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 1,423 mortgage loans with an approximate aggregate face amount of $9.7 billion.

A. *Portfolio Servicing.* The Corporation acts as loan servicer in connection with the permanent mortgage loans made to approximately 595 developments under its bond, mortgage loan and other loan programs (including its Housing Revenue Bond Program) in the approximate aggregate face amount of $5.0 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 December 31, 2007, the Corporation was servicing construction and permanent loans made to approximately 615 developments in the approximate aggregate face amount of $2.0 billion.

C. *Loan Servicing Monitoring.* In addition to the Corporation's loan servicing activities, the Corporation monitors the loan servicing activities of other servicers who service approximately 213 mortgage loans made under the Corporation's various bond, mortgage loan and other loan programs in the approximate aggregate face amount of $2.7 billion.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL TO THE CORPORATION DELIVERED UPON ISSUANCE OF THE 2005 BONDS

Upon delivery of the 2005 Bonds, on March 30, 2005, Hawkins Delafield & Wood LLP, Bond Counsel to the Corporation, delivered 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 $89,200,000 Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series A (the "2005 Series A Bonds") and $9,575,000 Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 Series B (the "2005 Series B Bonds" and, together with the 2005 Series A Bonds, the "2005 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 2005 Bonds are authorized to be issued pursuant to the Act and the Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project) Bond Resolution of the Corporation, adopted March 15, 2005 (herein called the "Resolution"). The 2005 Bonds are being issued for the purpose of financing the Mortgage Loan (as defined in the Resolution) in order to refinance the Project (as defined in the Resolution) and pay certain costs related thereto.

The 2005 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 2005 Bonds, for the purposes and upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2005 Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

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

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

1. The Corporation has been duly created and validly exists as a corporate governmental agency constituting a public benefit corporation, under and pursuant to the laws of the State of New York (including the Act), and has good right and lawful authority, among other things, to finance the Mortgage Loan, to provide sufficient funds therefor by the adoption of the Resolution and the issuance and sale of the 2005 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 2005 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 2005 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 2005 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 2005 Bonds are not a debt of the State or The City of New York and neither is liable thereon, nor shall the 2005 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 2005 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2005 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In 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 2005 Series A Bonds, and we have assumed compliance by the Corporation and the Mortgagor with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2005 Series A Bonds from gross income under Section 103 of the Code. In addition, we have relied on the opinions of Fried, Frank, Harris, Shriver & Jacobson LLP, special counsel to the Mortgagor and Dennett Law Offices, P.C., special counsel to The New York and Presbyterian Hospital (the "Hospital"), regarding, among other matters, the current qualifications of the Mortgagor and the Hospital, respectively, as organizations described in Section 501(c)(3) of the Code.

9. Interest on the 2005 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

10. Under existing statutes, interest on the 2005 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Except as stated in paragraphs, 8, 9 and 10 above, we express no opinion regarding any other Federal or state tax consequences with respect to the 2005 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 2005 Series A Bonds, or 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 2005 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 2005 Series A Bond and an executed 2005 Series B Bond and in our opinion the form of said Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL TO THE CORPORATION TO BE DELIVERED UPON REMARKETING OF THE 2005 BONDS

Upon delivery of the 2005 Bonds, Hawkins Delafield & Wood LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

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

Ladies and Gentlemen:

We are Bond Counsel to 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"). On March 30, 2005, we rendered our approving opinion (the "2005 Approving Opinion") with respect to the issuance by the Corporation of its $89,200,000 Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties - East, Inc. Project), 2005 Series A (the "2005 Series A Bonds") and $9,575,000 Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties - East, Inc. Project), 2005 Series B (the "2005 Series B Bonds" and, together with the 2005 Series A Bonds, the "2005 Bonds"). The 2005 Bonds were issued under and pursuant to the Act and the Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties - East, Inc. Project) Bond Resolution of the Corporation, adopted March 15, 2005 (the "Resolution"). Unless otherwise defined in this opinion, all capitalized terms used herein shall have the meanings ascribed thereto in the Resolution.

Initially, the 2005 Bonds bore interest at the ARS Rate determined pursuant to the Auction Procedures. Royal Charter Properties - East, Inc., the mortgagor of the project financed with the 2005 Bonds (the "Mortgagor"), has elected to change the method of determining the interest rate on the Outstanding 2005 Series A Bonds (the "Reoffered 2005 Series A Bonds") and on the Outstanding 2005 Series B Bonds (the "Reoffered 2005 Series B Bonds" and, together with the Reoffered 2005 Series A Bonds, the "Reoffered 2005 Bonds") from the ARS Rate to the Weekly Rate in accordance with the provisions of the Resolution and the Financing Agreement, dated as of March 1, 2005, between the Corporation and the Mortgagor (the "Interest Method Change"). We are delivering this opinion in connection with the Interest Method Change on the date hereof and the provision on the date hereof by Fannie Mae to the Trustee of the Amended and Restated Direct Pay Irrevocable Transferable Credit Enhancement Instrument (2005 Series A) and the Amended and Restated Direct Pay Irrevocable Transferable Credit Enhancement Instrument (2005 Series B), each dated March 17, 2008 (collectively, the "Credit Enhancement Instruments").

We are of the opinion that the Interest Method Change is consistent with the provisions of the Resolution.

We express no opinion as to whether, as of the date hereof, the interest on the Reoffered 2005 Series A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). We are of the opinion, however, that, under existing statutes and court decisions, the Interest Method Change and the provision of the Credit Enhancement Instruments, in and of themselves, will not adversely affect the exclusion of interest from gross income for Federal income tax purposes under Section 103 of the Code on any Reoffered 2005 Series A Bonds, the interest on which is otherwise excluded from gross income for Federal income tax purposes under Section 103 of the Code.

Except as stated above, we express no opinion regarding any Federal, state, local or foreign tax consequences with respect to the Reoffered 2005 Series A Bonds. We wish to advise you that our opinion is limited to the Interest Method Change and the provision of the Credit Enhancement Instruments and does not extend to any other event or matter occurring subsequent to the delivery of our 2005 Approving Opinion on March 30, 2005.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Pursuant to Section 104(E)(2)(i) of Appendix A to the Resolution, the Trustee is hereby permitted to deliver a copy of our 2005 Approving Opinion in connection with the Reoffered 2005 Bonds.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Royal Charter Properties-East, Inc. (the "Mortgagor") and The Bank of New York (the "Bond Trustee") in connection with the issuance of $89,200,000 aggregate principal amount of New York City Housing Development Corporation, Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc.), 2005 Series A (the "2005 Series A Bonds") and $9,575,000 aggregate principal amount of New York City Housing Development Corporation, Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc.), 2005 Series B (the "2005 Series B Bonds") (together with the 2005 Series A Bonds, the "2005 Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the New York City Housing Development Corporation (the "Issuer"), adopted on March 15, 2005 (the "Resolution"). The Mortgagor and the Bond Trustee covenant and agree as follows:

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

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

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

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

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

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

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

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

"Official Statement" means the final Official Statement dated March 24, 2005 relating to the Bonds.

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

"Repository" shall mean each National Repository and the State Repository.

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

"State" shall mean the State of New York.

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

SECTION 3. Provision of Annual Reports.

(a) So long as the Bonds bear interest at an ARS Rate, a Term Rate or a Fixed Rate, the Mortgagor shall, or shall cause the Dissemination Agent, if any, to, not later than six months after the end of the Mortgagor's fiscal year (presently December 31), commencing with the report for the 2004 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited consolidated financial statements of the Mortgagor may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Mortgagor's fiscal year changes, the Mortgagor shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) modifications to rights of Bondholders;

(4) optional, contingent or unscheduled bond calls;

(5) defeasances;

(6) rating changes;

(7) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

(8) unscheduled draws on the debt service reserves reflecting financial difficulties;

(9) unscheduled draws on credit enhancements reflecting financial difficulties;

(10) substitution of credit or liquidity providers, or their failure to perform; or

(11) release, substitution or sale of property securing repayment of the Bonds.

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

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

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Mortgagor may amend this Disclosure Agreement (and the Bond Trustee shall agree to any amendment so

requested by the Mortgagor), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

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

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

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

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

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

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

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

To the Mortgagor: Royal Charter Properties-East, Inc.
c/o New York Presbyterian Hospital
525 E. 68th Street
New York, New York 10021

To the Bond Trustee: The Bank of New York
101 Barclay Street, 7W
New York, NY 10286
Telephone: (212) 815-5375
Fax: (212) 815-3455

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

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

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2005

Royal Charter Properties-East, Inc.

By:_____
Name:
Title:

The Bank of New York, as Bond Trustee

By:_____
Name:
Title:

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EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	New York City Housing Development Corporation
Name of Bond Issue:	$98,775,000 New York City Housing Development Corporation, Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project), 2005 consisting of Series A and 2005 Series B
Name of Borrower:	Royal Charter Properties-East, Inc.
Date of Issuance:	March __, 2005

NOTICE IS HEREBY GIVEN that Royal Charter Properties-East, Inc. has not provided an Annual Report with respect to the above-named Bonds. The Mortgagor anticipates that the Annual Report will be filed by [_____]

Dated:[_____] [__], 2005

[_____],
on behalf of Mortgagor

cc: Mortgagor

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EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of March 24, 2005:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information
Email: NRMSIR@FTID.com

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

Municipal Securities Rule Making Board
1818 N Street, N.W.
Suite 800
Washington, D.C. 20036-2491
phone: (202) 223-9347
fax: (202) 872-0347

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APPENDIX F

AUDITED FINANCIAL STATEMENTS OF THE MORTGAGOR

CONSOLIDATED FINANCIAL STATEMENTS

Royal Charter Properties—East, Inc.

Years ended December 31, 2006 and 2005
with Report of Independent Auditors

Royal Charter Properties—East, Inc.

Consolidated Financial Statements

Years ended December 31, 2006 and 2005

Contents

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ERNST & YOUNG

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530

Phone: (212) 773-3000
www.ey.com

Report of Independent Auditors

Board of Directors
Royal Charter Properties—East, Inc.

We have audited the accompanying consolidated statements of financial position of Royal Charter Properties—East, Inc. (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of operations and changes in net asset deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Royal Charter Properties—East, Inc. at December 31, 2006 and 2005, and the consolidated results of its operations and changes in net asset deficiency and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

April 6, 2007

Royal Charter Properties—East, Inc.

Consolidated Statements of Financial Position

	December 31	
	2006	**2005**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 19,353**	$ 25,056
Tenant accounts receivable, less allowance for uncollectibles (2006 and 2005—$23)	**1,125**	1,642
Tenant security deposits held in trust	**1,979**	960
Other current assets	**1,127**	251
Total current assets	**23,584**	27,909
Property, buildings and equipment—net *(Note 3)*	**66,230**	47,142
Deferred financing costs—net of accumulated amortization (2006—$378; 2005—$181)	**6,493**	3,306
Assets limited as to use *(Note 2)*	**144,031**	483
Derivative instruments *(Note 4)*	**4,822**	3,280
Accrued rent receivable	**597**	502
Total assets	**$ 245,757**	$ 82,622
Liabilities and net asset deficiency		
Current liabilities:		
Current portion of long-term debt *(Note 4)*	**$ 1,475**	$ 1,397
Accounts payable and accrued expenses	**347**	751
Tenant security deposits payable	**1,979**	960
Due to related organizations *(Note 5)*	**668**	8,896
Accrued interest payable	**176**	166
Total current liabilities	**4,645**	12,170
Long-term debt—less current portion *(Note 4)*	**265,961**	96,878
Total liabilities	**270,606**	109,048
Net asset deficiency:		
Unrestricted net asset deficiency	**(24,849)**	(26,426)
Total liabilities and net asset deficiency	**$ 245,757**	$ 82,622

See accompanying notes.

Royal Charter Properties—East, Inc.

Consolidated Statements of Operations and Changes in Net Asset Deficiency

	Year ended December 31	
	2006	**2005**
	(In Thousands)	
Revenue		
Rental income:		
Tenant *(Note 5)*	**$ 21,665**	$ 19,641
Hotel	**6,444**	5,984
Parking	**1,328**	1,258
Miscellaneous	**139**	115
	29,576	26,998
Investment income *(Note 2)*	**822**	514
Total revenue	**30,398**	27,512
Expenses		
Salaries and benefits *(Note 5)*	**884**	859
Salaries and benefits—contracted services	**3,353**	2,786
Supplies and other expenses	**3,960**	3,636
Depreciation	**3,856**	3,719
Interest expense and amortization of deferred financing costs	**4,576**	3,725
Total expenses	**16,629**	14,725
Excess of revenue over expenses	**13,769**	12,787
Change in net unrealized gains and losses on marketable securities	**205**	(8)
Net (loss) gain on derivative instruments *(Note 4)*	**(2,198)**	2,137
Loss on extinguishment of debt *(Note 4)*	**–**	(5,462)
Transfer from Royal Charter Properties Inc., net *(Notes 3 and 5)*	**2,694**	–
Distributions to The New York and Presbyterian Hospital *(Note 5)*	**(12,893)**	(11,350)
Change in net asset deficiency	**1,577**	(1,896)
Net asset deficiency at beginning of year	**(26,426)**	(24,530)
Net asset deficiency at end of year	**$ (24,849)**	$ (26,426)

See accompanying notes.

Royal Charter Properties—East, Inc.

Consolidated Statements of Cash Flows

	Year ended December 31	
	2006	**2005**
	(In Thousands)	
Cash flows from operating activities		
Change in net asset deficiency	**$ 1,577**	$ (1,896)
Adjustments to reconcile change in net asset deficiency to net cash (used in) provided by operating activities:		
Depreciation	**3,856**	3,719
Amortization of deferred financing costs	**197**	380
Change in net unrealized gains and losses on marketable securities	**(205)**	8
Net loss (gain) on derivative instruments	**2,198**	(2,137)
Loss on extinguishment of debt	**–**	5,462
Transfer from Royal Charter Properties, Inc., net	**(2,694)**	–
Changes in operating assets and liabilities:		
Tenant accounts receivable and accrued rent receivable	**422**	(976)
Other current assets	**(876)**	182
Accounts payable and accrued expenses	**(404)**	(226)
Due to related organizations	**(8,228)**	1,520
Accrued interest payable	**10**	(276)
Net cash (used in) provided by operating activities	**(4,147)**	5,760
Cash flows from investing activities		
Acquisition of property, buildings and equipment	**(11,164)**	(842)
Net (purchases) redemptions of assets limited as to use	**(143,343)**	10,237
Net cash (used in) provided by investing activities	**(154,507)**	9,395
Cash flows from financing activities		
Proceeds from issuance of long-term debt	**170,558**	98,775
Payment of deferred financing costs	**(3,384)**	(3,489)
Payment of derivative instrument termination costs	**–**	(10,185)
Payments for derivative instruments—interest rate cap agreements	**(3,740)**	(3,326)
Payments on long-term debt	**(10,483)**	(89,700)
Net cash provided by (used in) financing activities	**152,951**	(7,925)
Net (decrease) increase in cash and cash equivalents	**(5,703)**	7,230
Cash and cash equivalents at beginning of year	**25,056**	17,826
Cash and cash equivalents at end of year	**$ 19,353**	$ 25,056
Supplemental schedule of noncash investing and financing activities		
Transfer of property from Royal Charter Properties, Inc., net	**$ 2,694**	$ –

See accompanying notes.

Royal Charter Properties—East, Inc.

Notes to Consolidated Financial Statements

December 31, 2006

1. Organization and Significant Accounting Policies

Organization: Royal Charter Properties—East, Inc. (the "Company") was incorporated under New York State not-for-profit corporation law for the purpose of acquiring and holding direct and indirect interests in real estate and related personal property which is located primarily in Manhattan, New York. The Company primarily provides residential housing, office and parking to related organizations and their employees. The Company is a membership corporation, which membership consists of the members of New York-Presbyterian Foundation, Inc. ("Foundation, Inc.") who are also Trustees of The New York and Presbyterian Hospital (the "Hospital"). The Company's members elect the Company's Board of Directors. Foundation, Inc. is related to a number of other organizations.

On January 13, 2006, the Company formed RCP-East, LLC, a New York limited liability company. The Company is the sole member of RCP-East, LLC. The Company financed additional long-term debt in 2006 in connection with the construction of a building that will be owned by RCP-East, LLC and used primarily for residential housing for staff of the Hospital.

The following is a summary of significant accounting policies:

Basis of Financial Statement Presentation: The accompanying consolidated financial statements are prepared on the accrual basis of accounting. Included in the accompanying consolidated financial statements is the Company's wholly-owned subsidiary, RCP-East, LLC. All significant intercompany accounts and transactions are eliminated in consolidation. The accompanying consolidated financial statements do not include the accounts of other affiliated organizations.

Derivative Instruments: The Company utilizes derivative instruments for interest rate risk exposure-management purposes. The Company accounts for its derivative instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Under SFAS No. 133, the Company is required to recognize derivative instruments as either an asset or liability in the consolidated statements of financial position at fair value. The fair value of derivative instruments is determined utilizing forward interest rate estimates and present value techniques.

1. Organization and Significant Accounting Policies (continued)

Cash Equivalents: The Company classifies as cash equivalents all highly liquid investments with a maturity of three months or less when purchased which are not deemed to be assets limited as to use or tenant security deposits. At December 31, 2006 and 2005, substantially all of the Company's cash and cash equivalents, which amount exceeds federal depository insurance limits, were deposited with one financial institution.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Assets Limited as to Use: Assets so classified represent assets whose use is restricted for specific purposes under terms of debt agreements. These assets are recorded at fair value based on quoted market prices.

Property, Buildings and Equipment: Property, buildings and equipment, which are purchased, are carried at cost; those acquired by gifts and bequests are carried at appraised or fair value established at the date of contribution; transfers of property, buildings and equipment from related entities are carried at historic net book value. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is included in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

Deferred Financing Costs: Deferred financing costs are amortized over the life of the debt using the effective interest method. During 2005, the Company wrote-off approximately $5.5 million of unamortized deferred financing costs in connection with the refinancing of the Company's debt (see Note 4). As part of the refinancing transaction, the Company paid and capitalized approximately $3.5 million of financing costs in 2005. During 2006, the Company paid and capitalized approximately $3.4 million of financing costs related to the issuance of long-term debt (see Note 4).

1. Organization and Significant Accounting Policies (continued)

Revenue Recognition: Tenant leases are accounted for as operating leases. Scheduled base rent increases under tenant leases are recognized as rental income on a straight-line basis over the lease term.

Tax Status: The Company is a Section 501(c)(3) organization exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The Company also is exempt from New York State and City income taxes.

Reclassifications: Certain reclassifications have been made to 2005 balances previously reported in order to conform with the 2006 presentation.

2. Assets Limited as to Use

Assets limited as to use total approximately $144.0 million and $0.5 million at December 31, 2006 and 2005, respectively, at fair value and consist of U.S. government bonds and notes.

Assets limited as to use under the Company's debt agreements consist of the following (see Note 4):

	December 31	
	2006	**2005**
	(In Thousands)	
Construction funds	**$ 102,090**	$ –
Capital interest reserve funds	**14,626**	–
Collateral funds	**26,321**	–
Capital replacement reserve fund	**607**	93
Principal reserve funds	**387**	390
	$ 144,031	$ 483

As of December 31, 2006 and 2005, the Company met all minimum funding requirements as defined within the applicable debt agreements (see Note 4).

2. Assets Limited as to Use (continued)

Investment income consists of the following for the years ended December 31, 2006 and 2005:

	2006	2005
	(In Thousands)	
Interest income	**$ 822**	$ 506
Net realized gains	**–**	8
	$ 822	$ 514

3. Property, Buildings and Equipment

A summary of property, buildings and equipment follows:

	December 31	
	2006	**2005**
	(In Thousands)	
Land	**$ 1,824**	$ 127
Buildings and building improvements	**108,182**	101,355
Equipment	**1,998**	1,686
	112,004	103,168
Less accumulated depreciation	**59,769**	56,035
	52,235	47,133
Construction in progress	**13,995**	9
	$ 66,230	$ 47,142

In connection with the RCP-East, LLC construction project, in 2006, Royal Charter Properties, Inc., a related entity, transferred to the Company certain properties with a net carrying value at the date of transfer of approximately $9.7 million and construction in progress of approximately $2.1 million (see Note 5).

3. Property, Buildings and Equipment (continued)

Substantially all property, buildings and equipment have been pledged as collateral under debt agreements (see Note 4).

The Company capitalized interest of approximately $0.4 million during 2006 related to construction projects in progress.

4. Long-term Debt

A summary of long-term debt follows:

	December 31	
	2006	**2005**
	(In Thousands)	
New York City Housing Development Corporation Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties—East, Inc. Project) Series 2005 (a)	**$ 96,878**	$ 98,275
Dormitory Authority of the State of New York, Royal Charter Properties—East, Inc., Revenue Bonds, Series 2006 (b)	**171,380**	–
	268,258	98,275
Less current portion	**1,475**	1,397
Less unamortized discount on Series 2006 bonds	**822**	–
	$ 265,961	$ 96,878

(a) On March 24, 2005, the New York City Housing Development Corporation issued Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties—East, Inc. Project) (the "2005 Bonds") to refinance outstanding Series 1998 bonds. The 2005 Bonds include $89,200,000 of Series A tax exempt variable rate bonds (maturing in April 2035) and $9,575,000 of Series B taxable variable rate bonds (maturing in October 2011). The 2005 Bonds are auction rate securities currently with interest rates determined monthly (not to exceed 12%). At December 31, 2006, the rates for the 2005 Series A bonds and 2005 Series B bonds were 3.6% and 5.3%, respectively. In connection with the refinancing transaction, in 2005 the Company incurred an extinguishment loss of approximately $5.5 million which consists of the write-off of unamortized deferred financing fees related to the previous debt.

4. Long-term Debt (continued)

(b) On November 14, 2006, the Dormitory Authority of the State of New York issued Royal Charter Properties—East, Inc., Revenue Bonds (the "2006 Bonds"). The 2006 Bonds include $147,770,000 of Series A tax exempt variable rate bonds (maturing in November 2036) and $23,610,000 of Series B taxable variable rate bonds (maturing in March 2018). The 2006 Bonds were issued with a discount of approximately $0.8 million. The proceeds of the 2006 Bonds will be used for the following: (i) finance the demolition of existing buildings and design, development and construction of an approximately 354,000 square foot, 20-story mixed use facility and 96-space parking garage located in New York City, to be used primarily as staff housing for employees of the Hospital, (ii) repay the outstanding balance ($7.1 million) on a loan associated with a 35-story, 393-unit staff housing facility for employees of the Hospital and the balance ($2.0 million) on a loan associated with air rights, both of which were acquired from Royal Charter Properties, Inc., (iii) pay the costs of acquiring interest rate caps for the 2006 Bonds, and (iv) pay certain costs of issuance in connection with the 2006 Bonds. The 2006 Bonds are auction rate securities currently with interest rates determined monthly (not to exceed 12%). At December 31, 2006, the rates for the 2006 Series A bonds and 2006 Series B bonds were 3.6% and 5.3%, respectively.

The 2005 Bonds and 2006 Bonds are secured by credit enhancement instruments issued by Fannie Mae with an aggregate principal amount of borrowing capacity totaling $243.7 million. The credit enhancement instruments related to the 2005 Series A Bonds and 2005 Series B bonds expire April 20, 2035 and October 20, 2011, respectively. The credit enhancement instruments related to the 2006 Series A bonds and 2006 Series B bonds expire November 20, 2036 and March 20, 2018, respectively. The credit enhancement instruments are subject to certain covenants pertaining to financial ratios and conditions. The credit enhancement instruments are collateralized by a mortgage of the Company's property and an assignment of rents and a security interest. At December 31, 2006 and 2005, the Company was in compliance with the applicable financial covenants.

4. Long-term Debt (continued)

Required payments to the principal reserve fund for the purpose of long-term debt redemptions for each of the five years subsequent to December 31, 2006 follow (in thousands):

2007	$ 1,475
2008	1,711
2009	3,556
2010	3,777
2011	4,011

The Company utilizes derivative instruments for interest rate risk exposure-management purposes. In relation to previous debt instruments, the Company had entered into an interest rate swap derivative instrument to convert payments on the variable interest rate bonds to a fixed interest rate (5.7%). This derivative instrument was terminated in March 2005 in connection with the refinancing of the previous debt. The Company paid approximately $10.2 million in 2005 to terminate the agreement. The difference between the liability recorded at December 31, 2004 and the amount paid upon settlement totaled $2.2 million and was recognized in 2005 as a component of the net gain on derivative instruments.

In connection with the 2005 Bonds, the Company entered into two interest rate cap derivative instruments. Under the interest rate cap related to the 2005 Series A tax exempt bonds, the Company's maximum interest rate is 6.0%. This agreement expires April 15, 2035. Under the interest rate cap related to the 2005 Series B taxable bonds, the Company's maximum interest rate is 7.0%. This agreement expires October 15, 2011. The Company paid approximately $3.3 million in 2005 in order to enter into these interest rate cap agreements. The fair value of these agreements at December 31, 2006 and 2005 represented an asset totaling approximately $1.5 million and $3.3 million, respectively.

In connection with the 2006 Bonds, the Company entered into two interest rate cap derivative instruments. Under the interest rate cap related to the 2006 Series A tax exempt bonds, the Company's maximum interest rate is 6.2%. This agreement expires November 15, 2036. Under the interest rate cap related to the 2006 Series B taxable bonds, the Company's maximum interest rate is 7.6%. This agreement expires May 15, 2020. The Company paid approximately $3.7 million in 2006 to enter into these interest rate cap agreements. The fair value of these agreements at December 31, 2006 represented an asset totaling approximately $3.3 million.

4. Long-term Debt (continued)

The Company recognized a net (loss) gain of approximately $(2.2) million and $2.1 million in 2006 and 2005, respectively, as a result of the changes in fair value and settlement of the derivative instruments.

Interest paid on all borrowings for the years ended December 31, 2006 and 2005 aggregated approximately $4.4 million and $3.6 million, respectively, net of capitalized interest in 2006.

5. Related Organizations

The amounts due to related organizations at December 31, 2006 and 2005 are as follows:

	December 31	
	2006	**2005**
	(In Thousands)	
The New York and Presbyterian Hospital	**$ 638**	$ 8,773
Royal Charter Properties, Inc.	**30**	123
	$ 668	$ 8,896

During 2006, Royal Charter Properties, Inc. transferred the ownership of certain property and liabilities for related outstanding debt to the Company in connection with the RCP—East, LLC construction project and financing. The net amount transferred to the Company, at net historical carrying value, consists of the following (in thousands):

Buildings and building improvements	$ 7,712
Air development rights	2,000
Construction in progress	2,068
Mortgage loan payable (subsequently repaid)	(7,067)
Unsecured loan (subsequently repaid)	(2,019)
	$ 2,694

5. Related Organizations (continued)

Amounts payable to the Hospital represent the unpaid portion of distributions to the Hospital, in accordance with the Company's certificate of incorporation, and reimbursement for certain disbursements made by the Hospital on behalf of the Company. The Company's certificate of incorporation states that all income collected, less expenses and reasonable reserves, is to be distributed to the Hospital or other related entities as determined by the Company's Board of Directors. For the years ended December 31, 2006 and 2005, such amounts aggregated approximately $12.9 million and $11.4 million, respectively.

As part of the Company's 1998 construction financing, the Hospital entered into a lease agreement for use of approximately 400 units for its staff housing through April 2017. Due to the related nature of the entities, the Company rents such units directly to the Hospital's staff. The Hospital's 2006 and 2005 rental expenses related to usage of office space and employee residential housing aggregated approximately $9.8 million and $9.5 million, respectively. Tenant accounts receivable includes the amounts due from the Hospital's staff.

Salaries and benefits and supplies and other expenses included in the accompanying consolidated statements of operations and changes in net asset deficiency include amounts allocated from the Hospital which were approximately $1.2 million for each of the years ended December 31, 2006 and 2005, respectively.

The Rogosin Institute, a related organization, rents office space from the Company for which rental payments aggregated approximately $1.4 million and $1.3 million for the years ended December 31, 2006 and 2005, respectively. The balance reflected in tenant accounts receivable as of December 31, 2006 and 2005 which is due from The Rogosin Institute totaled approximately $0.3 million and $0.1 million at December 31, 2006 and 2005, respectively.

The classification of amounts due to related organizations reflects management's expectations as to when these amounts will be repaid.

6. Rental Agreements

The majority of the Company's tenant rental agreements are short-term and are renewed annually. Future rental payments to be received under rental agreements with lease terms that exceed one year are as follows (in thousands):

2007	$ 1,567
2008	1,627
2009	1,690
2010	1,756
2011	1,824
Thereafter	1,248

7. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents and Tenant Security Deposits: Fair values are equal to carrying values.

Marketable Securities: The fair value of marketable securities (included within assets limited as to use) is based on quoted market prices.

Long-term Debt: The Company's variable rate long-term debt instruments bear interest at rates which approximate market and, therefore, the carrying value of debt approximates fair value.

Derivative Instruments: The fair value of the Company's derivative instruments is determined using forward interest rate estimates and present value techniques.

7. Fair Values of Financial Instruments (continued)

The carrying amount and fair value of the Company's financial instruments at December 31, 2006 and 2005 are as follows:

	2006		2005	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	(In Thousands)			
Cash and cash equivalents	**$ 19,353**	**$ 19,353**	$ 25,056	$ 25,056
Tenant security deposits	**1,979**	**1,979**	960	960
Marketable securities	**144,031**	**144,031**	483	483
Derivative instruments	**4,822**	**4,822**	3,280	3,280
Long-term debt	**267,436**	**267,436**	98,275	98,275

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